Create the Product

Palo Hawken Profile

A Decision Maker at Bossa Nova Beverage Company

Palo Hawken is co-founder and vice president of research and innovation at Bossa Nova. His dream from an early age was to become an inventor, which led him to pursue both a degree in physics from UC Santa Cruz and a degree in industrial design from the Rhode Island School of Design. When he completed his degree at RISD in 1996, he was invited to join his mentor and former professor Stephan Copeland to help develop his consulting business. After three years of working at the Copeland studio, primarily in the contract furniture industry for companies like Steelcase, Knoll, and Innovant, Palo moved to New York to start a furniture company. It was not a very successful venture but it eventually led him to Los Angeles where he met Alton Johnson and joined forces to launch Bossa Nova. Palo's specialty is harnessing the underappreciated power of design from formulation, to functionality, to packaging, to maximize any given market opportunity.

Q & A with Palo Hawken

Q) What I do when I'm not working?
A) Tracking wild cats in Topanga Canyon.

Q) My hero?
A) My father, Paul Hawken.

Q) My motto to live by?
A) Don't complain, don't explain.

Q) What drives me?
A) Knowing that there is more to do in this lifetime than I could possibly achieve.

Q) My management style?
A) MBA (Management By Absence).

Q) My pet peeve?
A) Not doing what you say you are going to do.

real people, **Real Choices**

Decision Time at Bossa Nova

Bossa Nova Beverage Group was born out of the founder Alton Johnson's fascination with the fruits of Brazil. While visiting there on business, he was constantly served platters of local fruits with unrecognizable flavors and names that invariably were accompanied by intriguing stories of health and healing. Because many of these legends seemed too good to be true, he initiated one of the first university studies to analyze them in greater depth. The results were compelling enough to launch a multiyear R&D effort to find the best way to commercialize the two most promising items: the açai and guarana fruits.

In the summer of 2004, Bossa Nova was completing a regional southern California test market of its launch product: a line of premium, guarana flavored carbonated energy drinks. This line had four SKUs: a rainforest refresher and an energy drink in both regular and diet versions. At the same time Bossa Nova was also putting the finishing touches on the crowning achievement of its R&D department—the world's first juice from an unknown Brazilian palm berry called açai. Açai had been overlooked by those outside Brazil for decades as it was notoriously hard to work with—spoiling within hours of picking and containing naturally occurring fats that looked and smelled awful. But it was also rumored to be the world's highest antioxidant fruit (the company's university research partners confirmed this finding). In the fall of 2004, after years of work, Bossa Nova had finally commercialized a method for extracting the bright purple, antioxidant-rich juice from the brownish pulp.

Palo and his partner had succeeded in creating a compelling (and expensive) new ingredient, but he wasn't sure how it fit into the product line Bossa Nova was currently selling. If indeed the company had just created the highest antioxidant juice ingredient in the world, what was the product that best took advantage of this opportunity? Palo's role as head of product development was to make sure the new company could capitalize on this opportunity with the right new product strategy.

Things to Remember:

Bossa Nova makes specialty products; people who are looking for healthy beverages aren't likely to turned off by relatively expensive alternatives because quality is more important to them than price.

A new product needs to have a crisp, clear message that shows consumers how it's different and worth switching to. Most people have never heard of açai juice so Bossa Nova will need to educate them about just what that is and why they should care.

Palo considered his Options 1·2·3

1 Option

Add the new açai juice ingredient to one of the three products Bossa Nova was already making to create a carbonated "antioxidant superfruit refresher." This would create a unique health proposition in the carbonated beverage category, not known for substantive health or functional claims. This option lent itself to an easy and rapid product development cycle because Bossa Nova would be leveraging its current product platform rather than having to create a new manufacturing process. It would be fairly easy to stimulate sales because the company would be working with the same buyers making it unnecessary to forge relationships with new retail customers. On the other hand, the powerful health story of açai could get lost in an essentially unhealthy product platform (basically, sugar water). And the new ingredient would only be included in one of the company's four SKUs, so it wouldn't create the splash Palo hoped for. In addition, the dark açai juice looked murky and intimidating in the cobalt blue bottle that gave Bossa Nova's energy drinks so much life. The company's technical people weren't sure how to change that property of the juice.

2 Option

Go all out: Create a new line of pure açai juices in a new package that would showcase its world-class nutritional features and benefits. Açai would not be an ingredient in an energy drink (as in Option 1); it would be the core ingredient of a whole new product line. At that time the market leader in premium antioxidant juices, POM Wonderful, was pulling in about $20–30 million annually in sales by promoting its antioxidant message, and Palo saw Bossa Nova as a fast follower that could grab a piece of that market. Adding a new product line could diversify the firm's product portfolio, which would also build brand awareness in two places in the store instead of one (on the carbonated, 4-pack dry shelf, and the fresh juice case in the produce department). Bossa Nova could help define the emerging beverage category of premium/functional antioxidant juices.

On the other hand, another product line could overextend Bossa Nova; it would force the company to spread already scarce capital and human resources across two product lines rather than focusing on one. This option would also be risky because the current product line wasn't yet firmly established in the market. Finally, the brand wasn't originally designed to embody the health message of the new açai juice line. It was too playful and needed more science/credibility, which Palo was unclear on how to achieve.

3 Option

Rewrite, re-raise, rebuild. Rewrite the business plan to focus on developing a single product line that could stake the claim to the title of highest antioxidant juice in the world. This option was the riskiest, because it entailed raising a significant amount of capital, selling off the existing carbonated inventory, rebranding the company, and generally moving back to square one. If this option were successful, it would result in a strong seductive product concept with a radical value proposition (both a "world's first..." and a "world's highest..."). The company would also be able to ride the coattails of $5 million of advertising by POM Wonderful designed to educate consumers about the benefits of antioxidants. Of course, this choice would entail huge risk; it would mean a decision to jettison a small but successful product line and remake/rebrand a new company that had already burned through $500,000 in seed capital. And, although the new açai juice ingredient was the world's highest antioxidant juice, it was very expensive to produce and the margins were dangerously low.

Now, put yourself in Palo's shoes: Which option would you pick, and why?

You Choose

Which **Option** would you choose, and **why**?

1. ☐YES ☐NO **2.** ☐YES ☐NO **3.** ☐YES ☐NO

See what **option** Palo chose and its success on **page 261**

Chapter 8

Objective Outline

Check out chapter 8 **Study Map** on page 262

1 Build a Better Mousetrap: The Value Proposition

OBJECTIVE

Articulate the Value Proposition. (pp. 232–233)

"Build a better mousetrap and the world will beat a path to your door." Although we've all heard that adage, the truth is that just because a product is better, there is no guarantee it will succeed. For decades, the Woodstream Company built Victor brand wooden mousetraps. Then the company decided to build a better one. Woodstream's product-development people researched the eating, crawling, and resting habits of mice (hey, it's a living....). They built prototypes of different mousetraps to come up with the best possible design and tested them in homes. Then the company unveiled the sleek-looking "Little Champ," a black plastic miniature inverted bathtub with a hole. When the mouse went in and ate the bait a spring snapped upward—and the mouse was history.

Sounds like a great new product (unless you're a mouse), but the Little Champ failed. Woodstream studied mouse habits, *not* consumer preferences. The company later discovered that husbands set the trap at night, but in the morning it was the wives who disposed of the trap holding the dead mouse. Unfortunately, many of them thought the Little Champ looked too expensive to throw away, so they felt they should empty the trap for reuse. This was a task most women weren't willing to do—they wanted a trap they could happily toss into the garbage.[1]

Woodstream's failure in the "rat race" underscores the importance of creating products that provide benefits people seek. It also tells us that any number of products, from low-tech cheese to high-tech traps, potentially deliver these benefits. Despite Victor's claim to be the "World's Leader in Rodent Control Solutions," in this case cheese and a shoe box could snuff out a mouse as well as a high-tech trap.

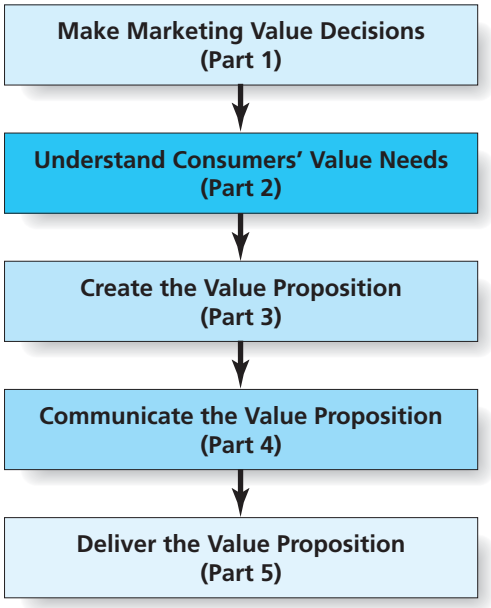
We need to take a close look at how products successfully trap consumers' dollars. Chapter 1 showed us that the *value proposition* is the consumer's perception of the benefits she will receive if she buys a good or service. So, the marketer's task is twofold: first, to create a better value than what's out there already and second to convince customers that this is true.

As we defined it in Chapter 1, a *product* is a tangible good, service, idea, or some combination of these that satisfies consumer or business customer needs through the exchange process; it is a bundle of attributes including features, functions, benefits, and uses. Products can be physical goods, services, ideas, people, or places. A **good** is a *tangible* product, something that we can see, touch, smell, hear, taste, or possess. It may take the form of a pack of cookies, a digital camera, a house, a fancy new computer, or a pair of stone-washed jeans. In contrast, *intangible* products—services, ideas, people, places—are products that we can't always see, touch, taste, smell, or possess. We'll talk more about intangible products in Chapter 10.

Marketers think of the product as more than just a thing that comes in a package. They view it as a bundle of attributes that includes the packaging, brand name, benefits, and supporting features in addition to a physical good. Figure 8.1 reminds us that we are now in Part 3 of this book, "Create the Value Proposition." The key word here is *create*, and a large part of the marketer's role in creating the value proposition is to develop and market

products appropriately. In this chapter, we'll first examine what a product is and see how marketers classify consumer and business-to-business products. Then we'll go on to look at new products, how marketers develop new products, and how markets accept them (or not). In the chapters that follow, we'll look at issues such as managing and pricing goods and services.

Figure 8.1 | Making and Delivering Value



2 Layers of the Product Concept

OBJECTIVE
Explain the layers of a product.
(pp. 233–235)

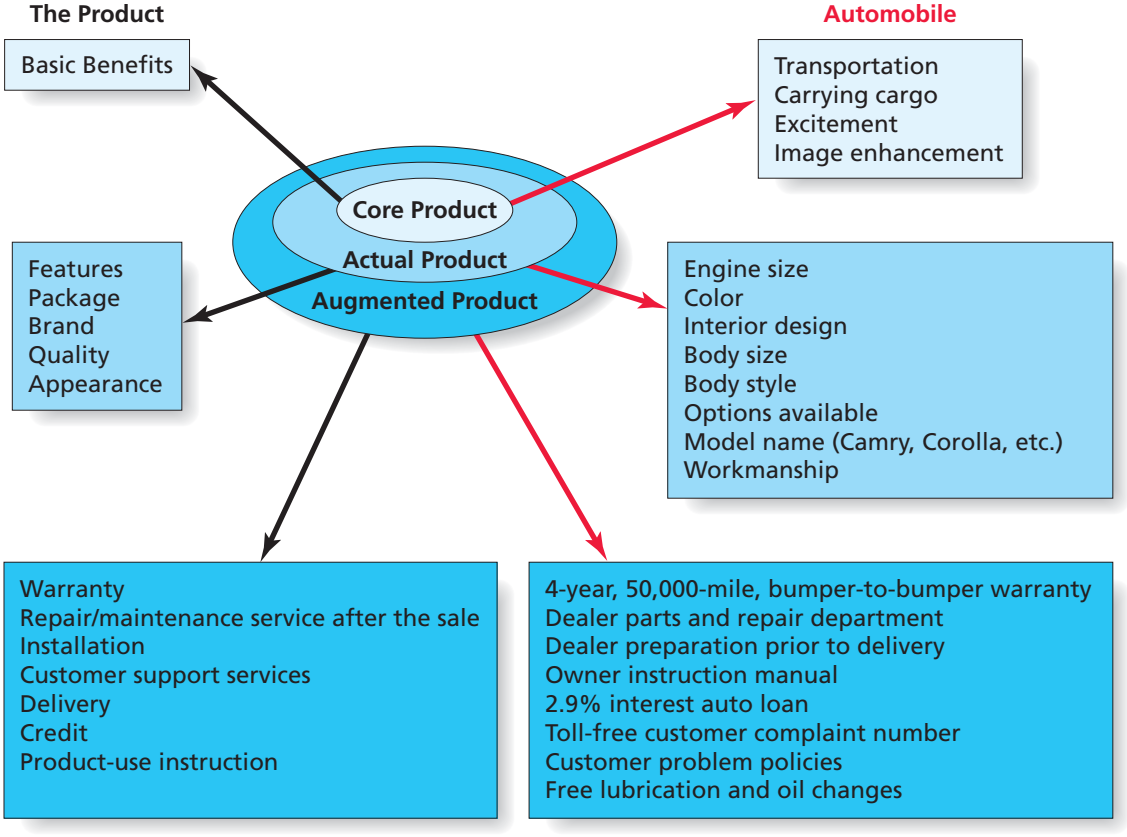
No doubt you've heard someone say, "It's the thought, not the gift that counts." This means that the gift is a sign or symbol that the gift giver has remembered you (or possibly it means that you hate the gift but are being polite!). When we evaluate a gift, we may consider the following: Was it presented with a flourish? Was it wrapped in special paper? Was it obviously a "re-gift"—something the gift giver had received as a gift for herself but wanted to pass on to you? These dimensions are a part of the total gift you receive in addition to the actual goodie sitting in the box.

Like a gift, a product is everything that a customer receives in an exchange. As Figure 8.2 shows, we distinguish among three distinct layers of the product—the core product, the actual product, and the augmented product. When they develop product strategies, marketers need to consider how to satisfy customers' wants and needs at each of these three layers. Let's consider each layer in turn.

good
A tangible product that we can see, touch, smell, hear, or taste.

Figure 8.2 | Layers of the Product

A product is everything a customer receives—the basic benefits, the physical product and its packaging, and the "extras" that come with the product.



The Core Product

core product
All the benefits the product will provide for consumers or business customers.

The **core product** consists of all the benefits the product will provide for consumers or business customers. As we noted in Chapter 1, a *benefit* is an outcome that the customer receives from owning or using a product. Wise old marketers (and some young ones, too) will tell you, "A marketer may make and sell a half-inch drill bit, but a customer buys a half-inch hole." This tried-and-true saying tells us that people buy the core product, in this case, the ability to make a hole. If a new product, such as a laser, comes along that provides that outcome in a better way or more cheaply, the drill-bit maker has a problem. The moral of this story? *Marketing is about supplying benefits, not products.* Table 8.1 shows how some marketers rigorously test their products "in action" to be sure they deliver the benefits they promise.

Many products actually provide multiple benefits. For example, the primary benefit of a car is transportation—all cars (in good repair) provide the ability to travel from point A to point B. But products also provide customized benefits—benefits customers receive because manufacturers add "bells and whistles" to win customers. Different drivers seek different customized benefits in a car. Some simply want economical transportation; others appreciate an environmentally-friendly hybrid car; and still others want a top-of-the-line, all-terrain vehicle, or perhaps a hot car that will be the envy of their friends.

Table 8.1 | Product Testing

Product	Testing Procedure	Benefit
Louis Vuitton handbags	A mechanical arm lifts a handbag, loaded with an eight-pound weight, 1.5 feet off the floor, and then drops it over and over again, for four days.	An attractive yet durable handbag
BMW	BMW tests the durability of their cars paint jobs by putting them in a room that has extremely powerful ultraviolet lights for extended periods of time. The UV rays are so intense that you would get a nasty sunburn from just being in there for three minutes.	A beautiful, long-lasting exterior finish
Sherwin-Williams paint	40,000 panels, painted with both Sherwin-Williams and competitors' paints, are subjected to the weather for up to 15 years (the length of the warranty on some paint).	A house paint that remains attractive throughout the warranty period
Apple computers	To simulate real-life conditions, computers are drenched with soda, smeared with mayonnaise, and baked in ovens (to mimic the trunk of a car in the summer heat).	Computing power that is impervious to normal wear and tear—and more
Mattel's Barbie	Quality testers yank and pull Barbie's hair and limbs to make sure she can withstand the strong hands and teeth of five-year-olds. They pour sand on her and bake her in simulated sunlight. Only Barbies that pass the tensile strength, UV, heat, and saliva tests are accepted.	A toy that is both fun and safe for children
Shaw Industries carpet products	Workers pace up and down rows of carpet samples eight hours a day. One worker reads three books a week and has lost 40 pounds in three years as a carpet walker.	Carpeting that is attractive and durable after years of wear
Otis elevators	Elevator components are strapped to a vibrating "shaker table," then subjected to heat reaching 400 degrees Fahrenheit and as cold as –150 degrees Fahrenheit.	An elevator that provides a smooth, safe ride and can withstand extreme conditions (such as a lightning strike)
Procter & Gamble hair care products	P&G pays over $1,000 for mannequin heads with realistic hair for testing new hair care products. Each of P&G's 15 "heads" has a name. When the hair begins to get thin, the "head" is retired.	Attractive, healthy hair

Sources: http://paultan.org/archives/2006/06/05/bmw-extreme-testing-technology/, accessed May 6, 2008; Otis Research Center, "Shaking, Baking and Proving Technology," August 27, 2003, http://home.fuse.net/mllwyd/barbie_misc.html: Faye Rice, "Secrets of Product Testing," *Fortune,* November 28, 1994, 166–72; www.utc.com/press/highlights/2003-08-27_tower.htm; and Carol Matlack, "The Vuitton Machine," *BusinessWeek*, March 22, 2004, 98–102.

Donna N.
Yancey
a professor at the University of North Alabama
My Advice for Bossa Nova would be to choose **2** Option

real people, **Other Voices**

I would choose **Option 2** because Bossa Nova has achieved a major accomplishment with its extraction of the juice from the highest antioxidant fruit in the world. Why would it risk this extraordinary product's ability to reach a new market that is more in tune with today's quest for nutrition by using it as an ingredient in a sugary drink as Option 1 proposes? Option 3 is a bit too radical and would be too expensive to attempt for such a new company. Bossa Nova can increase its brand name by keeping its other three products as energy drinks, which are sweeping the nation now with the college group, and reach a new target that is a higher socioeconomic market with more focus on nutrition with the açai juice line. This company cannot depend on its brand name reputation because that has not been established yet, so it will be able to achieve higher brand recognition with these two product lines. Positioning the açai antioxidant juice to a new target market that is upper income should not cannibalize the sales of the company's energy drinks. With labeling laws that require disclosure of juice and sugar water contents, the energy drinks would conceal the value of the antioxidant ingredients in açai juices if Option 1 were followed.

Location of the new line of juices will be critical to the company's success, as well as a unique packaging design to complement the uniqueness of the juices (i.e., a very bright wrapper on its existing bottles). The location should be set apart in the store with its own shelves, highlighting a creative bottle, darker in color, so as to disguise the murky color, and yet, make the product appealing. Perception is everything to this product's success. The bottle should look expensive, be colorful, highlight the antioxidant value, and appeal to the health conscious consumer. Bossa Nova should consider locating this product in gyms and health food stores, as well as the supermarkets. The diversification that the new line of antioxidant fruit juices will offer should more than offset the additional capital and human resources needed to produce it. The açai juice line, if targeted to an upper income group, with a unique designed package, creative nutritional oriented brand name, and front store or end-cap separate shelf location, should become one of the most sought after new products in the marketplace. ➤

The Actual Product

The second layer—the **actual product**—is the physical good or the delivered service that supplies the desired benefit. For example, when you buy a washing machine, the core product is the ability to get clothes clean, but the actual product is a large, square, metal apparatus. When you get a medical exam, the core product is maintaining your health, but the actual product is a lot of annoying poking and prodding. The actual product also includes the unique features of the product, such as its appearance or styling, the package, and the brand name. Sony makes a wide range of televisions from tiny, black and white battery-powered TVs for camping trips, to massive plasma televisions that can display a resolution rivaling reality—but all offer the same core benefit of enabling you to catch the latest episode of *Family Guy*.

actual product
The physical good or the delivered service that supplies the desired benefit.

The Augmented Product

Finally, marketers offer customers an **augmented product**—the actual product plus other supporting features such as a warranty, credit, delivery, installation, and repair service after the sale. Marketers know that adding these supporting features to a product is an effective way for a company to stand out from the crowd.

For example, Apple's iTunes Music Store enables consumers to select from a massive library of music (also TV shows, movies, audiobooks, etc.) and download titles directly to their digital music library. It also saves you the trouble of correctly inserting, labeling, and sorting new music into your library because it does that automatically. Plus, because "everyone" has either an iPod or simply a digital music library, you don't even have to worry about what to do with that pesky CD and its case. Apple's augmented product (convenience, extensive selection, and ease of use) has paid off handsomely for the company in sales and profits, and customers adore the fact that you can do it all without even getting up from your personal computer. You want a song/album, two minutes later you've got it. Are record—rather CD—stores doomed to the fate of the dinosaur?

augmented product
The actual product plus other supporting features such as a warranty, credit, delivery, installation, and repair service after the sale.

3 How Marketers Classify Products

OBJECTIVE

Describe how marketers classify products.

(pp. 236–242)

So far we've learned that a product may be a tangible good or an intangible service or idea and that there are different layers to the product. Now we'll build on that idea by looking at how products differ from one another. Marketers classify products into categories because the categories represent differences in how consumers and business customers feel about products and how they purchase different products. Such an understanding helps marketers develop new products and a marketing mix that satisfies customer needs. Table 8.2 summarizes these categories.

Generally, products are either consumer products or business-to-business products, although sometimes consumers and businesses buy the same products, such as toilet paper, vacuum cleaners, and light bulbs. In these cases, though, businesses tend to buy a lot more of them at once. Of course, as we saw in Chapters 5 and 6, customers differ in how they decide on a purchase, depending on whether the decision maker is a consumer or a business purchaser. Let's first consider differences in consumer products based on how long the product will last and on how the consumer shops for the product. Then we will discuss the general types of business-to-business products.

How Long Does the Product Last?

Marketers classify consumer goods as durable or nondurable depending on how long the product lasts. You expect a refrigerator to last many years, but a gallon of milk will last only a week or so until it turns into a science project. **Durable goods** are consumer products that provide benefits over a period of months, years, or even decades, such as cars, furniture, and appliances. In contrast, we consume **nondurable goods**, such as newspapers and food, in the short term.

durable goods
Consumer products that provide benefits over a long period of time, such as cars, furniture, and appliances.

nondurable goods
Consumer products that provide benefits for a short time because they are consumed (such as food) or are no longer useful (such as newspapers).

We are more likely to purchase durable goods under conditions of *high involvement* (as we saw in Chapter 5), while nondurable goods are more likely to be *low involvement* decisions. When consumers buy a computer or a house, they will spend a lot of time and energy on the decision process. When they offer these products, marketers need to understand consumers' desires for different product benefits and the importance of warranties, service, and customer support. So they must be sure that consumers can find the information they need. One way to do this is by providing a "Frequently Asked Questions" (FAQs) section on a company Web site. Another way is to host a message board or blog to facilitate a sense of community around the product. When a company itself sponsors such forums, odds are the content will be much more favorable and the firm can police peripheral postings. For example, the section of the Microsoft Web site called "Microsoft Technical Communities" allows users to problem-solve by typing in any product (or even an error code that popped up on your computer) and then to track it through a discussion board on that issue.[2]

In contrast, consumers usually don't "sweat the details" so much when they choose among nondurable goods. There is little if any search for information or deliberation. Sometimes this means that consumers buy whatever brand is available and reasonably priced. In other instances, they base their decisions largely on past experience. Because a certain brand has performed satisfactorily before, customers see no reason to consider other brands, and they choose the same one out of habit. For example, even though there are other brands available most consumers buy that familiar red and white can of Campbell's Soup again and again. In such cases, marketers can probably be less concerned with developing new product features to attract customers; they should focus more on pricing and distribution strategies.

Table 8.2 | Classification of Products

Consumer Products

Classified by how long they last

Durable: products that provide a benefit over a long period

- Example: Refrigerator

Nondurable: products that provide a benefit over a short time

- Example: Toothpaste

Classified by how consumers buy them

Convenience Products: products that are frequently purchased with little effort

- Examples: Staples (milk)
  Impulse products (candy bars)
  Emergency products (drain opener)

Shopping Products: products that are selected with considerable time and effort

- Examples: Attribute-based (shoes)
  Price-based (water heater)

Specialty Products: products that have unique characteristics to the buyer

- Examples: Favorite restaurant, Rolex watch

Unsought Products: products that consumers have little interest in until need arises

- Example: Retirement plans

Business-to-Business Products

Classified by how organizational customers use them

Equipment

- Examples: Capital equipment (buildings)
  Accessory equipment (computer terminals)

Maintenance, Repair, and Operating (MRO) Products

- Examples: Maintenance products (light bulbs, mops)
  Repair products (nuts, bolts)
  Operating supplies (paper, oil)

Raw Materials

- Example: Iron ore

Processed Materials

- Example: Sheets of steel

Specialized Services

- Example: Legal services

Component Parts

- Example: Car water pump

Marketers classify products to help them understand how consumers make purchase decisions.

How Do Consumers Buy the Product?

Marketers also classify products based on where and how consumers buy the product. We think of both goods and services as convenience products, shopping products, specialty products, or unsought products. Recall that, in Chapter 5, we talked about how consumer decisions differ in terms of effort from habitual decision making to limited

Mohan K.
Menon
a professor at the University of South Alabama

My Advice for Bossa Nova would be to choose

3
Option

real people, **Other Voices**

I would choose **Option 3** because it is possible to build a one-brand/one-product company as POM Wonderful has done. I think that if the açai drink is that good to stand on its own health merits, it deserves the company's complete attention. Given the mass media coverage about healthy products and benefits of antioxidants, in particular, and the resulting increase in consumer appetite for overall well being, I feel that the stand-alone strategy would be perfect. If the claim of having the highest antioxidant juice in the world can be substantiated, then it is powerful, intense, and unique to capture the attention of consumers. Sure it is a risky strategy for Palo, but the other options are riskier. Both Options 1 and 2 are product or product-line extension strategies. From a consumer perspective, it would be incredulous for a company to sell non-healthy carbonated drinks while selling another that claims to be very healthy. This would be a tacit admission on the part of Bossa Nova that the other products it sells are not healthy. Another reason for select Option 3 is the realization by Bossa Nova that the guarana line is not very profitable and is lost in the sea of energy drinks on the market. In the long run, a small company such as Bossa Nova might not be able to compete with giants such as Coca Cola and Pepsi in the same marketspace. ➤

problem solving to extended problem solving. Now we can tie this classification of products in terms of how consumers buy them to these differences in consumer decision making. When they understand how consumers buy products, marketers have a clearer vision of the buying process that will help them to develop effective marketing strategies based on the category into which their product falls.

Convenience Products

convenience product
A consumer good or service that is usually low-priced, widely available, and purchased frequently with a minimum of comparison and effort.

A **convenience product** typically is a nondurable good or service that consumers purchase frequently with a minimum of comparison and effort. As the name implies, consumers expect these products to be handy and they will buy whatever brands are easy to obtain. In general, convenience products are low-priced and widely available. You can buy a gallon of milk or a loaf of bread at grocery stores, at convenience stores, and even at many service stations. Consumers generally know all they need or want to know about a convenience product, devote little effort to purchases, and willingly accept alternative brands if their preferred brand is not available in a convenient location. Most convenience product purchases are the results of habitual consumer decision making. What's the most important thing for marketers of convenience products? You guessed it—make sure the product is easily obtainable in all the places where consumers are likely to look for it.

But all convenience product purchases aren't alike. You may stop by a local market on your way home from school or work to pick up that gallon of milk because that's something you always keep in the refrigerator. As long as you're there, why not grab a candy bar for the drive home? Later that night, you dash out to buy something to unclog your kitchen drain—also a convenience product. Marketers classify convenience products as staples, impulse products, and emergency products.

staples
Basic or necessary items that are available almost everywhere.

Staples such as milk, bread, and gasoline are basic or necessary items that are available almost everywhere. Most consumers don't perceive big differences among brands. When selling staples, marketers must offer customers a product that consistently meets their expectations for quality and make sure it is available at a price comparable to the competition's prices.

impulse product
A product people often buy on the spur of the moment.

Consider this situation: You are standing in the checkout line at the supermarket and notice a copy of *US* magazine featuring a photo of Angelina Jolie with a provocative headline. You've got to check out that article! This magazine is an **impulse product**—something people often buy on the spur of the moment. With an impulse product, marketers have two challenges: to create a product or package design that is enticing that "reaches out and grabs the customer," and to make sure their product is highly visible, for example by securing prime end-aisle or checkout-lane space.

As the name suggests, we purchase **emergency products** when we're in dire need; examples include bandages, umbrellas, and something to unclog the bathroom sink. Because we need the product badly and immediately, price and sometimes product quality may be irrelevant to our decision to purchase. If you ever go to Disney World in Florida during the summer months chances are at some point you will get caught in a sudden downpour. When that happens, Disney knows that any umbrella at any price may do and the company stocks its concessions with the product. The company also rolls out the Mickey Mouse ponchos because once the sky opens up everybody's gotta have one.

emergency products
Products we purchase when we're in dire need.

What are the challenges to marketers of emergency products? As with any other product, emergency products are most successful when they meet customer needs—you won't sell a drain cleaner more than once if it doesn't unclog a drain. And emergency products need to be offered in the sizes customers want. If you cut your finger in the mall, you don't want to buy a box of 100 bandages—you want a box of five or ten. Of course, making emergency products available when and where an emergency is likely to occur is the real key to success.

Recently, it has become trendy to talk about the gamut of convenience products as **fast-moving consumer goods (FMCG)**. An FMCG is any product that exhibits consistently high velocity of sales in the consumer marketplace. Major consumer packaged goods companies such as Procter & Gamble, Colgate Palmolive, Unilever—each of which sells an extensive line of products for various aspects of convenience—refer to the majority of their products as FMCG.

fast-moving consumer goods (FMCG)
Products that exhibit consistently high velocity of sales in the consumer marketplace.

Shopping Products

In contrast to convenience products, **shopping products** are goods or services for which consumers will spend time and effort gathering information on price, product attributes, and product quality. They are likely to compare alternatives before they buy. The purchase of shopping products is typically a limited problem-solving decision. Often consumers have little prior knowledge about these products. Because they gather new information for each purchase occasion, consumers are only moderately brand-loyal and will switch whenever a different brand offers new or better benefits. They may visit several stores and devote considerable effort to comparing products.

shopping product
A good or service for which consumers spend considerable time and effort gathering information and comparing alternatives before making a purchase.

Laptop computers are a good example of a shopping product because they offer an ever-expanding array of new features and functions. There are trade-offs and decisions to make about the price, speed, screen size, weight, battery life, and all sorts of features you can bundle. Consumers may ask, "Does it have Bluetooth? What about a Blu-ray drive? Does it have enough power to drive my games?"[3] Designing successful shopping products means making sure they have the attributes that customers want. And it helps to design product packaging that points out the features consumers need to know about to make the right decisions.

Some shopping products have different characteristics. When people shop for *attribute-based shopping products*, such as a new party dress or a pair of designer jeans, they spend time and energy finding the best possible product selection. At other times, when choices available in the marketplace are just about the same, we consider these to be shopping products because of differences in price. For these *price-based shopping products*, determined shoppers will visit numerous stores in hopes of saving an additional $10 or $20.

In business-to-consumer e-commerce, consumers sometimes can shop more efficiently when they use **intelligent agents** or *shopbots*—computer programs that find sites selling a particular product. Some of these programs also provide information on competitors' prices, and they may even ask customers to rate the various e-businesses that they have listed on their site so consumers can learn from other shoppers which sellers are good and which are less than desirable. We should note, however, that some sites do not wish to compete on price and don't give shopbots access to their listings.

intelligent agents
Computer programs that find sites selling a particular product.

Ripped From the **Headlines**

Ethical Decisions in the Real World

By definition, specialty products have unique characteristics that are important to buyers at almost any price. Consider, for example, that culinary delicacy *foie gras*—a staple in most fine French restaurants. Serious connoisseurs make decisions about where to dine based on the pâté the establishment serves. But *foie gras* is a product currently mired in controversy due to growing concerns about the treatment of animals in the manufacture of food products.

ETHICS CHECK: Find out what other students taking this course **would do** and **why** on **www.mypearsonmarketinglab.com**

The problem: *Foie gras* comes from goose livers, and the fatter the liver the better. The process of producing *foie gras*, which dates back to ancient Egypt, involves force feeding a goose (or duck) until its liver swells to many times its normal size. Like veal production, it's the process behind the product that raises ethical questions. The conundrum, of course, is why does a product so delightful to eat have to be associated with such distasteful (and according to some) immoral treatment of the animal?

Lately there's been a drive by producers toward "ethical" *foie gras* production. They do this by slaughtering the birds only during the time of the year they are preparing to migrate and thus instinctively consume an abnormally large amount of food anyway (of course, these penned birds don't actually migrate anywhere except to your dinner plate).

If you ran a gourmet French restaurant, you would need to decide if you're going to put *foie gras* ("ethically produced" or not) on the menu. What would you do?

Ripped from the Headlines! See what happened in the Real World at **www.mypearsonmarketinglab.com**

If you owned a restaurant would you put a menu item like *foie gras* on the menu if you believe it has possibly been harvested under inhumane conditions?

☐YES ☐NO

Specialty Products

You can buy a mop at Target for well under $10, right? Yet sales are brisk for the $400 Scooba Floor Washing Robot. The iRobot Corporation hawks Scooba as "the first floor washing robot that preps, washes, scrubs, and dries your floor." Consumers can't get enough of this little knee and back saver, and Clorox already has developed a cleaning formula specifically to use with it.[4]

The Scooba is a good example of a **specialty product**, as are Big Bertha golf clubs and Rolex watches. Specialty products have unique characteristics that are important to buyers at almost any price. We can even find specialty products competing in such mundane product categories as drinking water: VOSS water's sleek packaging stands out from other bottled waters. Extracted from an aquifer in Norway that was buried under snow and ice for centuries, VOSS markets its water as the purest in the world (at $10 or more a bottle in chic eateries, it had better be).

specialty product
A good or service that has unique characteristics and is important to the buyer and for which she will devote significant effort to acquire.

Consumers usually know a good deal about specialty products, and they tend to be loyal to specific brands. Generally, a specialty product is an extended problem-solving purchase that requires a lot of effort to choose. That means that firms selling these kinds of products need to create marketing strategies that make their product stand apart from the rest. For example, advertising for a specialty product such as a high definition plasma TV may talk about plasma's unique and superior characteristics and attempt to convince prospective customers that it's worth ponying up extra money for a 1080 resolution screen instead of a measly 760 resolution.

Unsought Products

Unsought products are goods or services (other than convenience products) for which a consumer has little awareness or interest until a need arises. For college graduates with their first "real" jobs, retirement plans and disability insurance are unsought products. It requires a good deal of advertising or personal selling to interest people in these kinds of products—just ask any life insurance salesperson. It's a real challenge to find convincing ways to interest consumers in unsought products. One solution may be to make pricing more attractive; for example, reluctant consumers may be more willing to buy an unsought product for "only pennies a day" than if they have to think about their yearly or lifetime cash outlay.

unsought products
Goods or services for which a consumer has little awareness or interest until the product or a need for the product is brought to her attention.

Business-to-Business Products

Although consumers purchase products for their own use, as we saw in Chapter 6 organizational customers purchase items to use in the production of other goods and services or to facilitate the organization's operation. Marketers classify business-to-business products based on how organizational customers use them. As with consumer products, when marketers know how their business customers use a product, they are better able to design products and craft the entire marketing mix. Let's briefly review the five different types of business-to-business products.

Equipment

Equipment refers to the products an organization uses in its daily operations. *Heavy equipment*, sometimes called *installations* or *capital equipment*, includes items such as buildings and robotics Toyota uses to assemble automobiles. Installations are big-ticket items and last for a number of years. Computers, photocopy machines, and water fountains are examples of *light* or *accessory equipment*; they are portable, cost less, and have a shorter life span than capital equipment. Marketing strategies for equipment usually emphasize personal selling and may mean custom-designing products to meet an industrial customer's specific needs.

equipment
Expensive goods that an organization uses in its daily operations that last for a long time.

MRO Products

Maintenance, repair, and operating (MRO) products are goods that a business customer consumes in a relatively short time. *Maintenance products* include light bulbs, mops, cleaning supplies, and the like. Repair products are items such as nuts, bolts, washers, and small tools. *Operating supplies* include computer paper and oil to keep machinery running smoothly. Although some firms use a sales force to promote MRO products, others rely on catalog sales, the Internet, and telemarketing in order to keep prices as low as possible.

maintenance, repair, and operating (MRO) products
Goods that a business customer consumes in a relatively short time.

Raw Materials

Raw materials are products of the fishing, lumber, agricultural, and mining industries that organizational customers purchase to use in their finished products. For example, a food company may transform soybeans into tofu, and a steel manufacturer changes iron ore into large sheets of steel used by other firms to build automobiles, washing machines, and lawn mowers. And turning one industry's waste materials into another's raw material is a great business model. Did you know that producers use cotton seeds left over from making textiles to make mayonnaise (check the ingredients on the back for cottonseed oil)?[5]

raw materials
Products of the fishing, lumber, agricultural, and mining industries that organizational customers purchase to use in their finished products.

Processed Materials and Special Services

Firms produce **processed materials** when they transform raw materials from their original state. Organizations purchase processed materials that become a part of the products they make. A builder uses treated lumber to add a deck onto a house, and a company that creates aluminum cans for Red Bull buys aluminum ingots for this purpose.

In addition to tangible materials, some business customers purchase *specialized services* from outside suppliers. Specialized services may be equipment-based, such as repairing a copy machine or fixing an assembly line malfunction, or non-equipment-based, such as market research and legal services. These services are essential to the operation of an organization but are not part of the production of a product.

processed materials
Products created when firms transform raw materials from their original state.

Component Parts

Component parts are manufactured goods or subassemblies of finished items that organizations need to complete their own products. For example, a computer manufacturer needs silicon chips to make a computer, and an automobile manufacturer needs batteries, tires,

component parts
Manufactured goods or subassemblies of finished items that organizations need to complete their own products.

and fuel injectors. As with processed materials, marketing strategies for component parts usually involve nurturing relationships with customer firms and on-time delivery of a product that meets the buyer's specifications.

To review, we now understand what a product is. We also know how marketers classify consumer products based on how long they last and how they are purchased, and we've seen how they classify business-to-business products according to how they use them. In the next section we'll learn about the marketing of new products, or *innovations*.

4 "New and Improved!" The Process of Innovation

OBJECTIVE

Understand the importance and types of product innovations.

(pp. 242–246)

"New and improved!" What exactly do we mean when we use the term *new product*? The Federal Trade Commission says that (1) a product must be entirely new or changed significantly to be called new and (2) a product may be called new for only six months.

innovation
A product that consumers perceive to be new and different from existing products.

That definition is fine from a legal perspective. From a marketing standpoint, though, a new product or an **innovation** is *anything* that customers perceive as new and different. An innovation may be a cutting-edge style like the Apple iPhone that is a phone *and* an iPod, or the newest shaving system from Gillette—Fusion—that has, what, about six blades? It can also be an innovative communications approach such as Skype VoIP telephony over the Internet, or a new way to power a vehicle such as hydrogen fuel cell cars like the BMW Hydrogen 7, the Ford Focus FCV, or the Honda FCX. An innovation may be a completely new product that provides benefits never available before, such as personal computers when they were first introduced, or it may simply be an existing product with a new style, in a different color, or with some new feature, like Apple Cinnamon Cheerios.

It's Important to Understand How Innovations Work

If an innovation is successful, it spreads throughout the population. First, it is bought and used by only a few people, and then more and more consumers adopt it. Or (more typically) an innovation can be a flop and it may not be around a year after its introduction.

Firms need to understand the process by which innovations succeed (or not) for at least two reasons. First, technology advances today at a dizzying pace. Companies introduce new products constantly, then these become obsolete more quickly than ever before. In many industries, firms develop another new-and-better product before the last new-and-better one even hits store shelves. Nowhere is this more obvious than with personal computers, for which a steady change in technology makes consumers want smaller and smaller machines that are simultaneously more powerful and faster before the dust even settles on the old model (sometimes even before we finish paying for the one we just bought!). Another reason why understanding new products is important is the high cost of developing new products and the even higher cost of new products that fail. In the pharmaceutical industry, the cost of bringing each new drug to market is over $1.5 billion and rising.[6] Even the most successful firms can't afford many product failures with that kind of price tag.

Video games today, with their amazing level of realism and content, are way more expensive to produce than they used to be, rivaling Hollywood film budgets. It cost Microsoft over $30 million to produce the hit video game *Halo 3*. Compare that to the fact that it cost Namco a mere $100,000 to produce the mega hit *Pac Man* back in 1982.[7]

Marketers must understand what it takes to develop a new product successfully. They must do their homework and learn what it is about existing products consumers find less than satisfactory and exactly what it will take to do a better job to satisfy their (rapidly changing) needs. Savvy marketers know they'll waste a ton of investment money if they don't.

Finally, new products contribute to society. We would never suggest that everything new is good, but many new products like those Table 8.3 lists allow us to live longer, happier lives of better quality than ever before. Although there are some who disagree, most of us feel that our lives are better because of cell phones (if that person next to us blabbing on hers would shut up...), televisions, Smart Phones, iPods, microwave ovens, and laptop computers. And new medical products keep *us* from breaking down: Doctors can replace or assist almost every part of the body with bionic products such as replacement spinal disks, insulin pumps

Table 8.3 | Innovations That Have Changed Our Lives

Products that changed how we play

1900	Kodak Brownie camera
1948	Polaroid camera
1976	JVC video recorder
1982	Philips/Sony CD player
1995	DVD player
2001	Apple iPod
2006	Nintendo Wii

Products that changed how we work

1959	Xerox photocopier
1966	Xerox fax machine
1971	Intel microprocessor
1980	3M Post-it Notes
1984	Apple Macintosh
1998	BlackBerry Smart Phone

Products that changed how we travel

1908	Ford Model T
1936	DC-3
1950s	Skateboard
1957	Boeing 707
2001	Segway Human Transporter
2003	Toyota Prius hybrid car
2007	Honda FCX Clarity hydrogen fuel cell car

Products that changed our health and grooming

1921	Johnson & Johnson Band-Aid
1928	Penicillin
1931	Tampax tampon
1960	Searle birth control pill
2003	Crest Whitestrips

Products that changed our homes

1907	Vacuum cleaner
1918	Frigidaire refrigerator
1928	Home air conditioner
1967	Amana microwave oven
2003	TMIO Internet-accessible refrigerated oven
2007	Microsoft Home Server—control all media outlets in a home, accessible anywhere on-line

Products that changed the way we communicate

1921	RCA radio
1935	RCA television
1991	World Wide Web
2003	Treo cell phone/PDA/camera
2007	Apple iPhone

Products that changed our clothing

1913	Zipper
1914	Bra
1939	Nylons
1954	Velcro
1961	Procter & Gamble Pampers
1995	Under Armour microfiber sportswear

Sources: Adapted from Christine Chen and Tim Carvell, "Products of the Century," *Fortune*, November 22, 1999, 133–36; "Best of What's Next," *Popular Science*, November 13, 2003; http://inventors.about.com/library/inventors/bldvd.htm; www.time.com/time/2003/inventions/list.html; Thomas Hoffman, "Segway's Tech Plans Look Down the Road to Growth," *Computerworld*, January 26, 2004, 4; Louis E. Frenzel, "The BlackBerry Reaps the Fruits of Innovation," *Electronic Design*, March 29, 2004, 41(5); David Stires, "Rx for Investors," *Fortune*, May 3, 2004, 158; and "Procter & Gamble," *Drug Store News*, January 19, 2004, 57; "Apple Presents iPod: Ultra-Portable MP3 Music Player Puts 1,000 Songs in Your Pocket," Apple.com, http://www.apple.com/pr/library/2001/oct/23ipod.html; "2007: Definitely the Year of Resurgent Nintendo," WRAL.com, www.wral.com/business/local_tech_wire/opinion/story/2232671/; Perry Stern, "Honda Achieves Clarity," MSNautos.com, http://editorial.autos.msn.com/article.aspx?cp-documentid=442665; "Exclusive: Windows Home Server in Detail," InsideMicrosoft, http://microsoft.blognewschannel.com/archives/2007/01/07/exclusive-windows-home-server-in-detail/; "Apple iPhone Introduced," Yuhreka, January 9, 2007, http://www.yuhreka.com/archives/2007/01/apple_iphone_in.htm; "Under Armor...History," GoBros.com, http://www.gobros.com/under-armour/under-armour-history.php.

that mimic a natural pancreas in patients with diabetes by automatically testing blood-glucose levels, microdetectors implanted into retinas that allow patients with retinal damage to see light, and bionic ears that allow the deaf to hear.[8] A Scottish man even invented a functional bionic hand that went on the market in 2007. The hand has functional finger and thumb movements with real gripping abilities and it's controlled by a combination of the person's muscles and mind. The hand has been tested by many injured soldiers back from Iraq.[9]

Types of Innovations

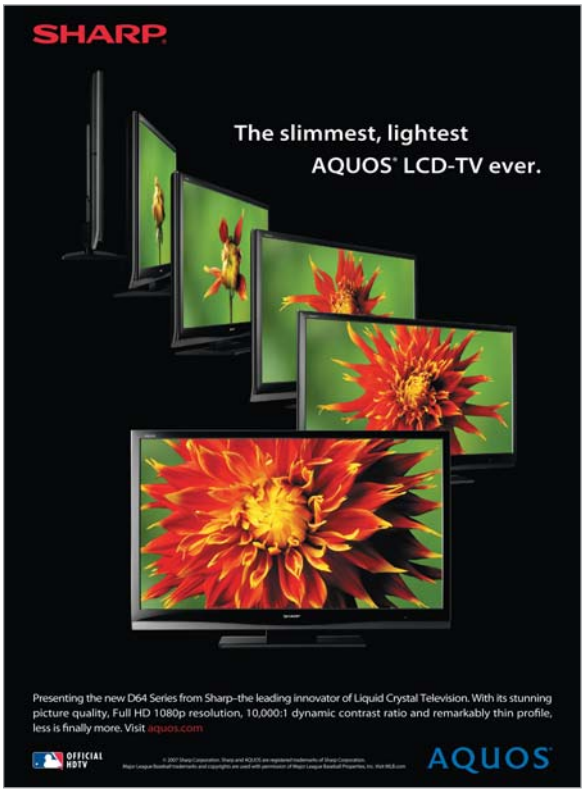
Innovations differ in their degree of newness, and this helps to determine how quickly the target market will adopt them. Because innovations that are more novel require us to exert greater effort to figure out how to use them, they are slower to spread throughout a population than new products that are similar to what is already available.

Marketers classify innovations into three categories based on their degree of newness: continuous innovations, dynamically continuous innovations, and discontinuous innovations. However, it is better to think of these three types as ranges along a continuum that goes from a very small change in an existing product to a totally new product. We can then describe the three types of innovations in terms of the amount of disruption or change they bring to people's lives. For example, the first automobiles caused tremendous changes in the lives of people who were used to getting places under "horse power." While a more recent innovation like GPS systems that feed us driving directions by satellite are undoubtedly cool, in a relative sense, we have to make fewer changes in our lives to adapt to them (other than not having to ask a stranger for directions when you're lost). And how about the 2008 Lexus LS 460 that can actually parallel park itself?[10]

Continuous Innovations

continuous innovation
A modification of an existing product that sets one brand apart from its competitors.

A **continuous innovation** is a modification to an existing product, such as when Crocs reinvigorated the market for clogs by offering a version of the comfy shoe with big holes punched in it. This type of modification can set one brand apart from its competitors. For example, people associate Volvo cars with safety, and Volvo comes out with a steady stream of safety-related innovations. Volvo was the first car to offer full front and side air bags, and in some of its 2009 models you can get "Low Speed Collision Avoidance" and "Volvo City Safety." The cars have a radar system that monitors the distance of the car to the car in front of you and if you get too close the car's computer automatically applies the brakes.[11]



The new Sharp Aquos monitor is a continuous innovation.

The consumer doesn't have to learn anything new to use a continuous innovation. From a marketing perspective, this means that it's usually pretty easy to convince consumers to adopt this kind of new product. For example, the current generation of high-definition plasma flat-screen monitors didn't require computer users to change their behaviors. We all know what a computer monitor is and how it works. The system's continuous innovation simply gives users the added benefits of taking up less space and being easier on the eyes than old style monitors.

How different does a new product have to be from existing products before people think it's *too* different? We've all heard that "imitation is the sincerest form of flattery," but decisions regarding how much (if at all) one's product should resemble those of its competitors often are a centerpiece of marketing strategy. Sometimes marketers feel that the best strategy is to follow the competition. For example, the packaging of "me-too" or look-alike products can create instant market success because consumers assume that similar packaging means similar products. When BMW released its 7-series model with the new "i-Drive" all-in-one control that was supposed to simplify in-car controls, many people and critics hated it because it was way too different from what they were used to. Although it

was an amazing technical achievement, it was too much of a change for drivers to accept.[12]

A **knockoff** is a new product that copies, with slight modification, the design of an original product. Firms deliberately create knockoffs of clothing, jewelry, or other items, often with the intent to sell to a larger or different market. For example, companies may copy the *haute couture* clothing styles of top designers and sell them at lower prices to the mass market. It is difficult to legally protect a design (as opposed to a technological invention) because an imitator can argue that even a very slight change—different buttons or a slightly wider collar on a dress or shirt—means the knockoff is not an exact copy.

Jessica Wecker Photography

Each of these national brands is standing next to its legal knockoff.

Dynamically Continuous Innovations

A **dynamically continuous innovation** is a pronounced modification to an existing product that requires a modest amount of learning or change in behavior to use it. The history of audio equipment is a series of dynamically continuous innovations. For many years, consumers enjoyed listening to their favorite Frank Sinatra songs on record players. Then in the 1960s, that same music became available on a continuous-play eight-track tape (requiring the purchase of an eight-track tape player, of course). Then came cassette tapes (oops, now a cassette player is needed). In the 1980s, consumers could hear Metallica songs digitally mastered on compact discs (that, of course, required the purchase of a new CD player).

knockoff
A new product that copies, with slight modification, the design of an original product.

dynamically continuous innovation
A change in an existing product that requires a moderate amount of learning or behavior change.

Consider this series of innovations: In the 1990s, recording technology moved one more step forward with MP3 technology; it allowed fans to download music from the Internet or to exchange electronic copies of the music with others. Mobile MP3 players hit the scene in 1998, letting music fans download their favorite tunes into a portable player. In November 2001, Apple Computer introduced its first iPod. With the original iPod, music fans could take 1,000 songs with them wherever they went. By 2006, iPods could hold 15,000 songs, 25,000 photos, and 150 hours of video.[13] Music fans go to the Apple iTunes music store or elsewhere to download songs and to get suggestions for new music they might enjoy. Of course, today you can do all this on your Smart phone—you don't even need an iPod to have a portable music player!

convergence
The coming together of two or more technologies to create a new system with greater benefits than its separate parts.

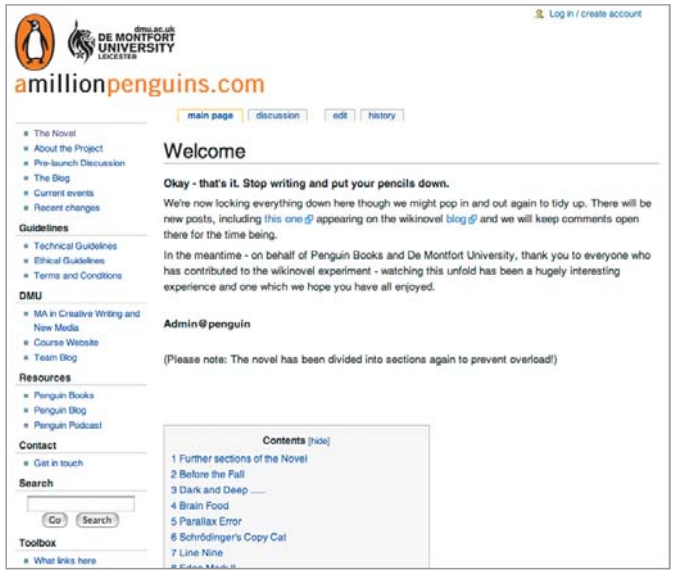
Even though each of these changes required us to learn how to operate new equipment, we were willing to buy the new products because of the improvements in music reproduction, the core product benefit. Hopefully the music will continue to improve, too.

Convergence is one of the most talked-about forms of dynamically continuous innovations in the digital world. This term means the coming together of two or more technologies to create new systems that provide greater benefit than the original technologies alone. Originally, the phone, organizer, and camera all came together in the Palm Treo and then the Motorola Q. Cable companies now provide cellular service, land phone lines, and high speed Internet. While we're not quite there yet with full convergence and integration of communication technologies, the dream inches closer to reality every day.[14]

A service like Netflix offers a new way to access existing products—in this case, movies delivered to the home.

By the **People**, For the **People**

Dreaming of someday writing a great novel? How about today? And by the way, how about doing it with thousands of co-authors? An application of the open-source model we've already discussed makes this dream possible. The publisher Penguin Books created the first wiki-based novel, *A Million Penguins* in 2007 (**www.amillionpenguins.com**). The novel starts with the opening sentence of a classic book: "There was no possibility to taking a walk that day" from *Jane Eyre*, and lets participants take it from there. It has now become a full-length novel with 11 versions and more than 60 characters. Penguin relies on a group of volunteers to monitor the content and remove pornography and obscenities. A dynamically continuous innovation at work.[15]



You too can be an author of the wiki-based novel *A Million Penguins*.

Discontinuous Innovations

discontinuous innovation
A totally new product that creates major changes in the way we live.

A **discontinuous innovation** creates major changes in the way we live. Consumers must learn a great deal to use a discontinuous innovation because no similar product has ever been on the market. Major inventions such as the airplane, the car, and the television radically changed modern lifestyles. Another discontinuous innovation, the personal computer, changed the way we shop and allows more people to work from home or anywhere else. The smart phone has taken this functionality to a whole new level; it lets you do most everything a PC can do but in the palm of your hand. What's the next discontinuous innovation? Is there a product out there already that will gain that distinction? Usually, marketers only know for sure through 20–20 hindsight; in other words, it's tough to plan for the next big one (what the computer industry calls "the killer app").

Why is it important to know just how new an innovation really is? This knowledge helps us develop effective marketing strategies. For example, if marketers know that consumers may resist adopting a new and radically different product, they may offer a free product trial or place heavier emphasis on a personal selling strategy to convince them that the new product offers benefits worth the hassle. When Apple first introduced its Macintosh computers (you've seen those in museums!), the company allowed bewildered customers to take them home and use them for a month for free to see their benefits firsthand. Business-to-business marketers often provide in-service training for employees of their customers who invest in new products.

Metrics Moment

Innovation is a complicated item to try to measure. This is because it involves not only marketing, but the firm's overall culture, leadership, and processes in place that foster innovation. Here's a short list of measures that when taken as a whole can provide a firm's "innovation report card":

Firm Strategy

- How aware are organization members of a firm's goals for innovation?
- How committed is the firm and its leadership to those goals?
- How actively does the firm support innovation among its organization members? Are there rewards and other incentives in place to innovate? Is innovation part of the performance evaluation process?
- To what degree do organization members perceive that resources are available for innovation (money and otherwise)?

Firm Culture

- Does the organization have an appetite for learning and trying new things?
- Do organization members have the freedom and security to try things, fail, and then go forward to try different things?

Outcomes of Innovation

- Number of innovative initiatives (products or otherwise) in process at present, in various stages of development.
- Number of innovations launched in the past three years.
- Percentage of revenue attributable to launches of innovations during the past three years.[16]

5 New-Product Development

OBJECTIVE
Show how firms develop new products.
(pp. 247–253)

Building on our knowledge of different types of innovations, we'll now turn our attention to how firms actually develop new products. Product development doesn't simply mean creating totally new stuff. Of course a lot of companies do that, but for many other firms product development is a continuous process of looking for ways to make an existing product better or finding just the right shade of purple for this year's new pants styles.

No product category is immune to this process—enterprising companies even constantly improve "boring" products. Consider, for example, the Neorest toilet the Japanese firm Toto introduced in the United States. For a "mere" $5,000, you get a toilet that solves that age-old problem of toilet seat up versus toilet seat down (this could be a marriage-saver for some people). Motion sensors automatically open the lid as you approach and close it as you leave. It also has a heated seat, a temperature-controlled water spray and blow dryer, a catalytic air deodorizer, and even a "white noise" control to mask sounds.[17]

The hit TV show *American Inventor* illustrates the lengths people and companies will go to come up with "the next big thing"—whether screwy or sensible. For several reasons, new-product development is increasingly important to firms. First, as we've already mentioned, technology is changing at an ever-increasing rate so that companies develop products, consumers adopt them, and then companies replace them with better products faster and faster. In addition, competition in our global marketplace makes it essential for firms to continuously offer new choices for consumers if they are to compete with companies all around the world rather than just down the street. Firms need to stay on top of current developments in popular culture, religion, and politics to develop products that are consistent with consumers' mind-sets. Sometimes new hit products are based on careful research, but in many cases being at the right place at the right time doesn't hurt. For example, Hasbro developed a new version of its G.I. Joe toy as a search-and-rescue firefighter prior to the September 11, 2001 attacks; ironically renewed respect for firefighters sparked by that event boosted demand for this gift item that December.[18]

Unfortunately, most new-product introductions need a bit more than good timing to score big in the marketplace. If anything, it's becoming more and more difficult to successfully introduce new products. The costs of research and development often are so huge that firms must limit the number of new products in development. Because products are outdated faster than ever, firms have less time to recover their research-and-development costs. And with so many products competing for limited shelf space, retailers often charge manufacturers exorbitant *slotting fees* to stock a new product, increasing manufacturers' costs even more.[19] Firms must reduce the time it takes to get good products to market and increase the speed of adoption to quickly recover these costs. As Table 8.4 shows, new-product development generally occurs in seven phases.

Phase 1: Idea Generation

In the initial **idea generation** phase of product development, marketers use a variety of sources to come up with great new product ideas that provide customer benefits and that are compatible with the company mission. Sometimes ideas come from customers. Ideas also come from salespeople, service providers, and others who have direct customer contact.

idea generation
The first step of product development in which marketers brainstorm for products that provide customer benefits and are compatible with the company mission.

And some companies encourage their designers to "think outside the box" by exposing them to new ideas, people, and places. When Lego decided in 2006 to radically update its Mindstorms programmable robotics kit, the Danish company recruited a panel of outside experts who were well known among Lego fans (and fanatics) for creating complex robots using the firm's older version of the kit. These outsiders worked intensively with Lego's in-house design team for a year to create the next generation of Lego robotics

Table 8.4 Phases in New-Product Development

Phases in Development	Outcome
1. Idea generation	Identify product ideas that will provide important customer benefits compatible with company mission.
2. Product concept development and screening	Expand product ideas into more complete product concepts and estimate the potential commercial success of product concepts.
3. Marketing strategy development	Develop preliminary plan for target markets, pricing, distribution, and promotion.
4. Business analysis	Estimate potential for profit. What is the potential demand, what expenditures will be required, and what is the cost to market the product?
5. Technical development	Design the product and the manufacturing-and-production process.
6. Test marketing	Develop evidence of potential success in the real market.
7. Commercialization	Implement full-scale marketing plan.

(Mindstorms NXT) that includes drag-and-drop icons, sophisticated sound sensors, and motors that allow the robots to roam free. It's worth noting that these self-proclaimed "geeks" did all of this work without pay other than being given some Mindstorms prototypes. As one of the panelists observed, "They're going to talk to us about Legos, and they're going to pay us with Legos? They actually want our opinion? It doesn't get much better than that."[20] Now *that's* dedication! Often firms use marketing research activities such as the *focus groups* we discussed in Chapter 4 in their search for new product ideas. For example, a company such as MTV that is interested in developing new channels might hold focus-group discussions across different groups of young people to get ideas for new types of programs.

product concept development and screening
The second step of product development in which marketers test product ideas for technical and commercial success.

Corbis/SABA Press Photos, Inc.

Lonnie Johnson walked into the slick conference room of the Larami Corporation; smiled mischievously; opened his pink, battered Samsonite suitcase; and took out a gizmo that looked a bit like a phaser gun from Star Trek. Holding this combination of a handheld pump apparatus, PVC tubing, Plexiglas, and plastic soda bottles, Lonnie aimed—-and fired! A giant stream of water shot across the room. A year later, the Super Soaker became the most successful water gun in U.S. retail history.

Phase 2: Product Concept Development and Screening

The second phase in developing new products is **product concept development and screening**. Although ideas for products initially come from a variety of sources, it is up to marketers to expand these ideas into more-complete product concepts. Product concepts describe what features the product should have and the benefits those features will provide for consumers.

Everyone knows that McDonald's makes the world's best french fries—a fact that has annoyed archrival Burger King for decades. Unfortunately for BK, the chain achieved technical success but not commercial success when the chain invested heavily to outfry Mickey D's. BK's food engineers came up with a potato stick coated with a layer of starch that makes the fry crunchier and keeps the heat in to stay fresh longer. Burger King created 19 pages of specifications for its new contender, including a requirement that there must be an audible crunch present for seven or more chews. The $70 million rollout of the new product included a "Free Fryday" when BK gave away 15 million orders of fries to customers, placed lavish advertising on the Super Bowl, and engineered official

proclamations by the governors of three states. Unfortunately, the new fry was a "whopper" of a product failure. Burger King blamed the product failure on inconsistent cooking by franchisees and a poor potato crop, but a more likely explanation is that consumers simply did not like the fry as well as those they might find at certain (golden) archrivals. Just because it's new doesn't always make it better.

On the other hand, did you know that Sony was originally working *in conjunction* with Nintendo to create a new video game system? Executives from both sides were happy because Nintendo had the market, the intellectual property, and the know-how to do it and Sony had the financial means. However, Nintendo eventually decided not to move forward with the deal and essentially ditched Sony. The man at Sony who would have been the head guy for the joint project approached the company's president and told him that Sony could enter the market anyway without the big N's help because of the headway it had already made. Sony's CEO reportedly felt dishonored by Nintendo's behavior and approved the project. This rebuff resulted in Sony's highly regarded Playstation, which went on to seriously challenge Nintendo for gaming supremacy.[21]

In new-product development, failures often come as frequently (or more so) than successes. BK's french fry failure illustrates the importance of screening ideas for *both* their technical and their commercial value. When screening, marketers and researchers examine the chances that a new product concept might be successful, while they weed out concepts that have little chance to make it in the market. They estimate *technical success* when they decide whether the new product is technologically feasible—is it possible to actually build this product? Then they estimate *commercial success* when they decide whether anyone is likely to buy the product. The marketing graveyard is piled high with products that sounded interesting but failed to catch on, including jalapeño soda, aerosol mustard, and edible deodorant.[22] Table 8.5 provides other examples of colossal new product failures.

Today, it's not just new functions that companies look for when they devise new product concepts. A product's *appearance* also plays a huge role. In a marketplace loaded with products that seem to do pretty much the same thing, people are attracted to the options that do what they need to do—but look good while doing it. Two young entrepreneurs named Adam Lowry and Eric Ryan discovered that basic truth in the early days of 2000. They quit their day jobs to develop a line of house-cleaning products they called Method. Cleaning products—what a yawn, right?

Think again. For years, companies like Procter & Gamble plodded along, peddling boring boxes of soap powder to generations of housewives. Lowry and Ryan gambled that they could offer an alternative—cleaners in exotic scents like cucumber, lavender, and ylang-ylang that come in aesthetically pleasing bottles. The bet paid off. Within two years the partners were cleaning up, taking in more than $2 million in revenue.

Mass-market consumers thirst for great design, and they're rewarding the companies that give it to them with their enthusiastic patronage and loyalty. To meet this demand, Maytag created a Strategic Initiatives Group to design and introduce a line of mixers, blenders, toasters, and coffee makers under the brand name Jenn-Air Attrezzi (Italian for tools). The product line includes glass bowls and pitchers in colors like cobalt blue and merlot red that can double as serving pieces. Their minimalist bases glow with blue LED displays to reinforce a sleek, forward-looking image.[23]

Even staid P&G is starting to get the idea. Although it's a bit like turning a battleship, Procter & Gamble now recognizes the importance of integrating design into every product initiative. In the "good old days" (that is, a couple of years ago), design was basically an afterthought. Marketing meant appealing to customers in terms of efficiency rather than aesthetics. Now, Chairman-CEO A.G. Lafley wants P&G to focus on what he calls "the first moment of truth"—winning consumers in the store with packaging and displays. As a result, P&G now has a VP of design, strategy, and innovation who reports directly to the CEO. Her philosophy sums it up: "Competitive advantage comes not just from patents, but also from incorporating design into products, much like Apple, Sony, or Dell."[24]

Table 8.5 New Products That Bit the Dust

Product Introduced	Date	Company	Product Description	Why did the product fail?
Wheaties Dunk-A-Balls Cereal	1994	General Mills	Basketball-shaped, sweetened corn and wheat puffs cereal that kids can play with before eating. Advertised as "available for a limited time only."	Parents have never wanted to encourage kids to play with their food and the offering wasn't the slam dunk that General Mills had hoped for.
Hey! There's A Monster In My Room-Spray	1993	OUT! International, Inc.	Get rid of scary creatures from the rooms of children. The spray came in a bubble gum fragrance.	The idea was cute, but the name was not, and set up a fright for the kids.
Premier Cigarettes	1988	R.J. Reynolds (RJR Nabisco Inc.; subsidiary)	A smokeless cigarette.	Premier was priced at a 25% premium to other cigarettes, but cost was not the greatest issue. The problem was that smokeless cigarettes appealed to nonusers—nonsmokers!
Avert Virucidal Tissues	1985	Kimberly-Clark	The tissue contained vitamin C derivatives and was the first tissue scientifically designed to kill cold and flu germs when sneezing, coughing, or blowing your nose into them.	People didn't believe the company's claims and they were frightened by the name.
Look of Buttermilk	1974	Clairol	Shampoo	This product left many consumers asking just what exactly is the "Look of Buttermilk" anyway?
Country People/City People	Early 1980s	Yellow Emperor, Inc.	City People shampoo protects against pollution and exhaust fumes. Country People shampoo protects against the sun and wind.	"Country" didn't sell in the city, and vice versa.
Garlic Cake	1989	Gunderson & Rosario, Inc.	Food to serve as an *hors d'oeuvre* with sweet breads, spreads, and meats.	The company forgot to mention potential usage occasions to consumers. They were left wondering just what is garlic cake and when on earth would a person want to eat it?
Dr. Care	Early 1980s	Dairimetics, Ltd.	Vanilla mint flavored toothpaste in aerosol container advertised as easy to use and sanitary.	Many parents questioned the wisdom of letting their kids loose with an aerosol toothpaste.
Wine & Dine Dinners	Mid-1970s	Heublein	Package of pasta and sauce mix and a mini bottle of salted wine that was intended for creating the sauce.	Consumers assumed the wine was for drinking. The misunderstanding left a bitter taste in the mouths of unforgiving consumers.
Gerber's Singles	1974	Gerber	A variety of fruits, vegetables, and entrees for adults.	Consumers could not relate to adult food products sold in baby food jars.

Source: www.newproductworks.com/product_poll/hm_favorite_failures.html

Phase 3: Marketing Strategy Development

The third phase in new-product development is to develop a marketing strategy to introduce the product to the marketplace, a process we began to talk about back in Chapter 2. This means that marketers must identify the target market, estimate its size, and determine how they can effectively position the product to address the target market's needs. And, of course, marketing strategy development includes planning for pricing, distribution, and promotion expenditures both for the introduction of the new product and for the long run. And today, one other element is critically important—the environmental impact of the product. **Green marketing**, the development of marketing strategies that support environmental stewardship by creating an environmentally-

green marketing
The development of marketing strategies that support environmental stewardship by creating an environmentally-founded differential benefit in the minds of consumers.

founded differential benefit in the minds of consumers, is being practiced by most forward-thinking firms today.

Phase 4: Business Analysis

Once a product concept passes the screening stage, the next phase is a **business analysis**. Even though marketers have evidence that there is a market for the product, they still must find out if the product can make a profitable contribution to the organization's product mix. How much potential demand is there for the product? Does the firm have the resources it will need to successfully develop and introduce the product?

business analysis
The step in the product development process in which marketers assess a product's commercial viability.

Larger firms typically develop new products in-house in their own laboratories, but in some cases they prefer to scout out new ideas from entrepreneurs and just buy the technology. For example, Church and Dwight Company (the Arm & Hammer people) sells the Crest SpinBrush line of battery-powered toothbrushes, which they bill as the "best-selling battery-powered electric toothbrush in the country." Four entrepreneurs originally developed the SpinBrush technology, and then Procter & Gamble bought them out (P&G then divested the product after the P&G/Gillette merger in 2005). Unlike electric toothbrushes that typically sell for upwards of $50, the SpinBrush sells for just slightly more than a decent old-fashioned toothbrush (the kind that requires elbow grease to use).[25]

The business analysis for a new product begins with assessing how the new product will fit into the firm's total product mix. Will the new product increase sales, or will it simply cannibalize sales of existing products? Are there possible synergies between the new product and the company's existing offerings that may improve visibility and the image of both? And what are the marketing costs likely to be?

Phase 5: Technical Development

If it survives the scrutiny of a business analysis, a new product concept then undergoes **technical development**, in which a firm's engineers work with marketers to refine the design and production process. For example, when McDonald's recognized the need to bulk up its breakfast menu by adding something sweeter than its Egg McMuffin, the company's executive chef had to scramble to develop a pancake offering that people could eat while they drive. He first considered a pancake shaped like a muffin, but he decided this would be too confusing to customers—and besides, how could he add in the all-important syrup? Fortunately, one of the company's suppliers had just developed a technology that crystallizes syrup—just stir crystals into the batter, and the syrup will seep through the entire pancake once it's heated. McDonald's did a lot of laboratory work to adapt this process so the syrup would melt uniformly and produce what the industry calls the correct "mouth feel." Enter the McGriddle, a breakfast sandwich that can be customized with combinations of sausage, bacon, egg, and cheese. It's served between two "high-tech syrup-infused" pancakes instead of bread and has become a very successful staple on Mickey D's breakfast menu.[26]

technical development
The step in the product development process in which company engineers refine and perfect a new product.

prototypes
Test versions of a proposed product.

The better a firm understands how customers will react to a new product, the better its chances of commercial success. For this reason typically, a company's research-and-development (R&D) department usually develops one or more physical versions or **prototypes** of the product. Prospective customers may evaluate these mockups in focus groups or in field trials at home.

Courtesy of Textwood. Used with permission of Ogilvy & Mather, Hong Kong.

New products often need to be rigorously tested before they are released. This ad from Hong Kong tells us that these jeans have been "tested on humans."

Linda K.
Meyers
a professor at Baker College of Muskegon
My Advice for Bossa Nova would be to choose
3
Option

real people, **Other Voices**

I would choose **Option 3** because of the old saying "You can't be everything to everyone." The current product line of flavored carbonated energy drinks is in the mature stage of the PLC. The product line hasn't proven itself yet, and may be a question mark for the company. It is in a market with high growth, but the company has low market share. The competition in this market is stiff. To differentiate themselves, they should be a second mover, of sorts. POM Wonderful has already set the stage in the consumers' mind about the benefits of antioxidants. Now Bossa Nova Beverage Group has a chance to solve a consumer problem that no other company has been able to do by creating the world's highest antioxidant juice. This continuous product improvement strategy would give the company a chance to redesign the bottle and create a marketing campaign that could put them on the map. The new product has the potential to keep competitors out of the market because of the technology involved. The company would be better off focusing their efforts on one solid product than trying to stretch themselves thin by having two different product lines. Even though the margins may be dangerously low, you take dollars to the bank not percentages. ➤

Prototypes also are useful for people within the firm. Those involved in the technical development process must determine which parts of a finished good the company will make and which ones it will buy from other suppliers. If it will be manufacturing goods, the company may have to buy new production equipment or modify existing machinery. Someone has to develop work instructions for employees and train them to make the product. When it's a matter of a new service process, technical development includes decisions such as which activities will occur within sight of customers versus in the "backroom," and whether the company can automate parts of the service to make delivery more efficient.

Technical development sometimes requires the company to apply for a patent. Because patents legally prevent competitors from producing or selling the invention, this legal mechanism may reduce or eliminate competition in a market for many years so that a firm gains some "breathing room" to recoup its investments in technical development.

Phase 6: Test Marketing

test marketing
Testing the complete marketing plan in a small geographic area that is similar to the larger market the firm hopes to enter.

The next phase of new-product development is **test marketing**. This means the firm tries out the complete marketing plan—the distribution, advertising, and sales promotion—in a small geographic area that is similar to the larger market it hopes to enter.

There are both pluses and minuses to test marketing. On the negative side, test marketing is extremely expensive. It can cost over a million dollars to conduct a test market even in a single city. A test market also gives the competition a free look at the new product, its introductory price, and the intended promotional strategy—and an opportunity to get to the market first with a competing product. On the positive side, by offering a new product in a limited area of the market, marketers can evaluate and improve the marketing program. Sometimes test marketing uncovers a need to improve the product itself. At other times, test marketing indicates product failure; this advanced warning allows the firm to save millions of dollars by "pulling the plug."

For years, Listerine manufacturer Warner-Lambert (now owned by Pfizer) wanted to introduce a mint-flavored version of the product to compete with Procter & Gamble's Scope (it originally introduced this alternative under the brand Listermint). Unfortunately, every time Warner-Lambert tried to run a test market, P&G found out and poured substantial extra advertising and coupons for Scope into the test market cities. This counterattack reduced the usefulness of the test market results for Warner-Lambert when its market planners were trying to decide whether to introduce Listermint nationwide. Because P&G's aggressive response to Listermint's test marketing actually *increased* Scope's market share in the test cities, there was no way to determine how well Listermint would actually do under normal competitive conditions. Warner-Lambert eventually introduced Listermint nationally, but achieved only marginal success, so the company eventually pulled it from the market. Then, in a "turnabout is fair play" move, in 2006, Pfizer filed suit against P&G for

running ads that claimed that more dentists would recommend Crest Pro Health mouthwash over Listerine.[27]

As we saw in Chapter 4, because of the potential problems and expense of test marketing marketers instead may use special computer software to conduct simulated tests that imitate the introduction of a product into the marketplace. These simulations allow the company to see the likely impact of price cuts and new packaging—or even to determine where in the store it should try to place the product. The process entails gathering basic research data on consumers' perceptions of the product concept, the physical product, the advertising, and other promotional activity. The test market simulation model uses that information to predict the product's success much less expensively (and more discreetly) than a traditional test market. As this simulated test market technology improves, traditional test markets may become a thing of the past.

Phase 7: Commercialization

The last phase in new-product development is **commercialization**. This means the launching of a new product, and it requires full-scale production, distribution, advertising, sales promotion—the works. For this reason, commercialization of a new product cannot happen overnight. A launch requires planning and careful preparation. Marketers must implement trade promotion plans that offer special incentives to encourage dealers, retailers, or other members of the channel to stock the new product so that customers will find it on store shelves the very first time they look. They must also develop consumer sales promotions such as coupons. Marketers may arrange to have point-of-purchase displays designed, built, and delivered to retail outlets. If the new product is especially complex, customer service employees must receive extensive training and preparation.

commercialization
The final step in the product development process in which a new product is launched into the market.

As launch time nears, preparations gain a sense of urgency—like countdown to blastoff at NASA. Sales managers explain special incentive programs to salespeople. Soon the media announce to prospective customers why they should buy and where they can find the new product. All elements of the marketing program—ideally—come into play like a carefully planned liftoff of a Delta rocket.

And there is always a huge element of risk in a new product launch—even for products that seem like a sure thing. For example, the makers of FluMist, a flu vaccine that is given through a spray in the nose rather than an often painful shot in the arm, predicted they would sell 4 to 6 million doses when the product came on the market—not an unreasonable forecast since 60 million to 90 million Americans get a flu shot each year. Despite spending $25 million on advertising to tout the new product, only about 100,000 people bought doses—probably because the product was priced far higher than a flu shot, and the Food and Drug Administration approved the product only for healthy people aged 5 to 49. Unfortunately, the majority of people who most need flu shots are over 50 or have other health problems like asthma or diabetes that make them more likely to die from the flu.[28]

6 Adoption and Diffusion of New Products

OBJECTIVE
Explain the process of product adoption and the diffusion of innovations.

(pp. 253–260)

In the previous section, we talked about the steps marketers take to develop new products from generating ideas to launch. Moving on, we'll look at what happens *after* that new product hits the market—how an innovation spreads throughout a population.

A painting is not a work of art until someone views it. A song is not music until someone sings it. In the same way, new products do not satisfy customer wants and needs until the customer uses them. **Product adoption** is the process by which a consumer or business customer begins to buy and use a new good, service, or idea.

product adoption
The process by which a consumer or business customer begins to buy and use a new good, service, or idea.

diffusion
The process by which the use of a product spreads throughout a population.

tipping point
In the context of product diffusion, the point when a product's sales spike from a slow climb to an unprecedented new level, often accompanied by a steep price decline.

The term **diffusion** describes how the use of a product spreads throughout a population. One way to understand how this process works is to think about a new product as if it was a computer virus that spreads from a few computers to infect many machines. A brand like Hush Puppies, for example, might just slog around—sometimes for years and years. At first only a small number of people buy it, but change happens in a hurry when the process reaches the moment of critical mass. This moment of truth is called the **tipping point**.[29] For example, Sharp created the low-price, home/small-office fax market in 1984 and sold about 80,000 in that year. There was a slow climb in the number of users for the next three years. Then, suddenly, in 1987 enough people had faxes that it made sense for everyone to have one—Sharp sold a million units that year as it reached its tipping point. Along with such diffusion almost always come steep price declines—today you can buy a Sharp fax machine at Staples for less than $40 (after mail-in rebate).[30]

After they spend months or even years to develop a new product, the real challenge to firms is to get consumers to buy and use the product and to do so quickly so they can recover the costs of product development and launch. To accomplish this, marketers must understand the product-adoption process. In the next section, we'll discuss the stages in this process. We'll also see how consumers and businesses differ in their eagerness to adopt new products and how the characteristics of a product affect its adoption (or "infection") rate.

Stages in Consumers' Adoption of a New Product

Whether the innovation is better film technology or a better mousetrap, individuals and organizations pass through six stages in the adoption process. Figure 8.3 shows how a person goes from being unaware of an innovation through the stages of awareness, interest, evaluation, trial, adoption, and confirmation. At every stage, people drop out of the process, so the proportion of consumers who wind up using the innovation on a consistent basis is a fraction of those who are exposed to it.

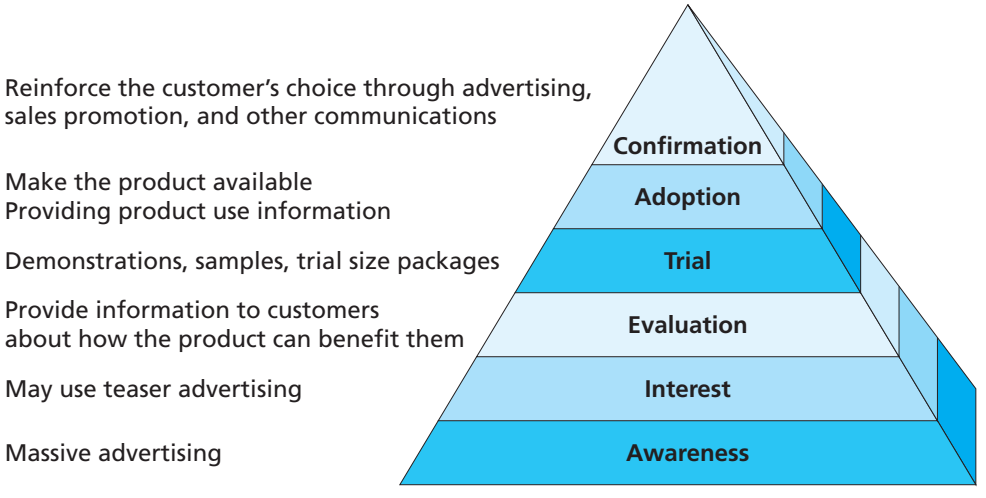
Awareness

Awareness that the innovation exists at all is the first step in the adoption process. To educate consumers about a new product, marketers may conduct a massive advertising campaign: a **media blitz**. For example, to raise awareness of its entry into the electronic-gaming product category Microsoft launched a $500-million media blitz when it introduced the original Xbox; it promoted the new product through in-store merchandising, retailer incentives, events, and sponsorships in addition to traditional advertising.[31] At this point, some consumers will say, "So there's a new gaming console out there. So what?" Many of these, of course, will fall by the wayside and thus drop out of the adoption process. But this strategy works for new products when at least some consumers see a new product as something they want and need and just can't live without.

media blitz
A massive advertising campaign that occurs over a relatively short time frame.

Figure 8.3 | Adoption Pyramid

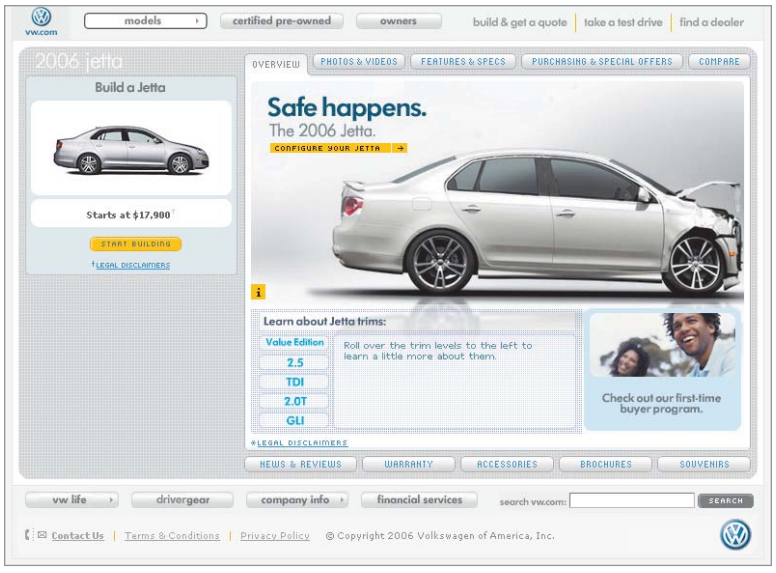
Consumers pass through six stages in the adoption of a new product—from being unaware of an innovation to becoming loyal adopters. The right marketing strategies at each stage help ensure a successful adoption.



Interest

For some of the people who become aware of a new product, a second stage in the adoption process is *interest*. In this stage, a prospective adopter begins to see how a new product might satisfy an existing or

newly-realized need. Interest also means that consumers look for and are open to information about the innovation. Volkswagen's Jetta, for instance, developed a certain *panache* with the young 20s crowd around 2000 or so. But, as today's 20- and 30-something car buyers start having families and need bigger cars with more carrying space, they began to lose interest in the Jetta. To get the lucrative young-parent group interested in the product again, Volkswagen reverted to a stronger emphasis on safety and also touts the quality and reliability virtues of German engineering.[32] Marketers often design teaser advertisements that give prospective customers just enough information about the new product to make them curious and to stimulate their interest. Despite marketers' best efforts, however, some more consumers drop out of the process at this point.



Volkswagen continues to modify its message to retain the interest of its core drivers.

Evaluation

In the *evaluation* stage, we weigh the costs and benefits of the new product. On the one hand, for complex, risky, or expensive products, people think about the innovation a great deal before they will try it. For example, a firm will carefully evaluate spending hundreds of thousands of dollars on manufacturing robotics prior to purchase. Marketers for such products help prospective customers see how such products can benefit them.

But as we've seen in the case of impulse products, sometimes little evaluation may occur before someone decides to buy a good or service. A person may do very little thinking before she makes an **impulse purchase**, like the virtual *Tamagotchi* (Japanese for "cute little egg") pets. For these goods, marketers design the product to be eye-catching and appealing to get consumers to notice the product quickly. Tamagotchis certainly did grab the attention of consumers—40 million of them bought the first generation of them. Toymaker Bandai Co. has since come out with a new generation of Tamagotchis—the current version allows the pet owner to control aspects of the Tamagotchi's life such as career choices and who they eventually become. Bandai's newest tagline for the product is "Start livin' the Tamagotchi life!"—a not too-veiled reference to virtual worlds such as *Second Life*.[33]

impulse purchase
A purchase made without any planning or search effort.

Some potential adopters will evaluate an innovation positively enough to move on to the next stage. Those who do not think the new product will provide adequate benefits drop out at this point.

Trial

Trial is the stage in the adoption process when potential buyers will actually experience or use the product for the first time. Often marketers stimulate trial when they provide opportunities for consumers to sample the product. Travel through any major U.S. airport, for example, and you'll see Dell demonstration kiosks—a major departure from the company's usual focus on on-line direct marketing. That's because there is a drawback to on-line direct marketing: Some consumers just can't stand to buy without first touching, holding, and using a product—in short, conducting a "trial." Interestingly, people are also buying

Courtesy of Michelle Beauty Center. Used with permission of Ogilvy & Mather, Hong Kong

Marketers often build interest for a good or service by showing how it will benefit customers. This Hong Kong ad for a spa and salon boasts "dramatic transformations daily."

Courtesy of White Wave, Inc. Used with permission of Arnold Worldwide.

Silk soymilk stimulated the adoption process by distributing free samples of its product to American consumers who were not familiar with milk that doesn't come from cows.

Dells right at the kiosks. In retrospect this is not too surprising, given that the passenger demographics tend toward 24 to 49 years of age, most with annual household incomes above $70,000—just the type of people who want the latest computer. Dell also showcases the PC gaming power of its higher-end computers kiosks at Gamestop locations around the country, in part because of its acquisition of Alienware—a long-time champion of high-powered PC gaming. For gamers, it's really important to touch, feel, and experience the product first-hand before they buy.[34]

Even if the trial is satisfactory, however, some prospective buyers still won't actually adopt the new product because it costs too much. Initially, this was the case with onboard navigation systems in cars. Consumers could try out the system in rental cars from Hertz and Avis, but the price (over $2,000) understandably put off most prospective customers. By 2006, with prices having dipped below $500, many more consumers were buying the units for their own cars and ordering them with new vehicles.[35]

Adoption

In the *adoption* stage, a prospect actually buys the product (Hallelujah!). If the product is a consumer or business-to-business good, this means buying the product and learning how to use and maintain it. If the product is an idea, this means that the individual agrees with the concept.

Does this mean that all individuals or organizations that first choose an innovation are permanent customers? That's a mistake many firms make. Marketers need to provide follow-up contacts and communications with adopters to ensure they are satisfied and remain loyal to the new product over time.

Confirmation

After she adopts an innovation, a customer weighs expected versus actual benefits and costs. Favorable experiences make it more likely that she will become a loyal adopter as her initially positive opinions result in *confirmation*. Of course, nothing lasts forever—even a loyal customer may decide that a new product no longer meets her expectations and reject it (sort of like dropping a boyfriend). Some marketers feel that reselling the customer in the confirmation stage is important. They provide advertisements, sales presentations, and other communications to reinforce a customer's choice.

The Diffusion of Innovations

As we saw earlier, *diffusion* describes how the use of a product spreads throughout a population. Of course, marketers prefer their entire target market to immediately adopt a new product, but this is not the case. Consumers and business customers differ in how eager or willing they are to try something new, lengthening the diffusion process by months or even years. Based on adopters' roles in the diffusion process, experts classify them into five categories.

Some people like to try new products. Others are so reluctant you'd think they're afraid of anything new (do you know anyone like that?). As Figure 8.4 shows, there are five categories of adopters: innovators, early adopters, early majority, late majority, and laggards.[36] To understand how the adopter categories differ, we'll focus on the adoption of one specific technology, Wi-Fi (wireless fidelity).

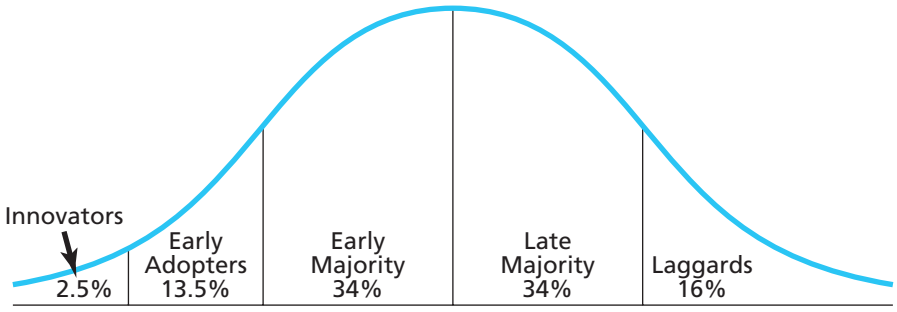


Figure 8.4 | Categories of Adopters

Because consumers differ in how willing they are to buy and try a new product, it often takes months or years for most of the population to adopt an innovation.

Innovators

Innovators make up roughly the first 2.5 percent of adopters. This segment is extremely adventurous and willing to take risks with new products. Innovators are typically well-educated, younger, better off financially than others in the population, and worldly. Innovators who were into new technology knew all about Wi-Fi before other people had heard of it. Because innovators pride themselves on trying new products, they purchased laptops with Wi-Fi cards way back in 1999 when Apple Computer first introduced them in its laptops.

innovators
The first segment (roughly 2.5 percent) of a population to adopt a new product.

Early Adopters

Early adopters, approximately 13.5 percent of adopters, buy product innovations early in the diffusion process but not as early as innovators. Unlike innovators, early adopters are very concerned about social acceptance so they tend to gravitate toward products they believe will make others think they are cutting-edge or fashionable. Typically, they are heavy media users and often are heavy users of the product category. Others in the population often look to early adopters for their opinions on various topics, making early adopters key to a new product's success. For this reason, marketers often target them in their advertising and other communications efforts.

Columnists who write about personal technology for popular magazines like *Time* were testing Wi-Fi in mid-2000. They experienced some problems (like PCs crashing when they set up a wireless network at home) but still they touted the benefits of wireless connectivity. Road warriors adopted the technology as Wi-Fi access spread into airports, hotels, city parks, and other public spaces. Intel, maker of the Centrino mobile platform, launched a major campaign with Condé Nast's *Traveler* magazine and offered a location guide to T-Mobile hotspots nationwide.

early adopters
Those who adopt an innovation early in the diffusion process, but after the innovators.

Early Majority

The **early majority**, roughly 34 percent of adopters, avoid being either first or last to try an innovation. They are typically middle-class consumers and are deliberate and cautious. Early majority consumers have slightly above-average education and income levels. When the early majority adopts a product, we no longer consider it new or different—it is, in essence, already established. By 2002, Wi-Fi access was available in over 500 Starbucks cafés, and monthly subscription prices were dropping rapidly (from $30 to $9.95 per month).

early majority
Those whose adoption of a new product signals a general acceptance of the innovation.

Late Majority

Late majority adopters, about 34 percent of the population, are older, even more conservative, and typically have lower-than-average levels of education and income. The late majority adopters avoid trying a new product until it is no longer risky. By that time, the product has become an economic necessity or there is pressure from peer groups to adopt. By 2004, Wi-Fi capability was being bundled into almost all laptops and you could connect in mainstream venues like McDonald's restaurants and sports stadiums. Cities across the country began considering blanket Wi-Fi coverage throughout the entire town through WiMax technology.

late majority
The adopters who are willing to try new products when there is little or no risk associated with the purchase, when the purchase becomes an economic necessity, or when there is social pressure to purchase.

Laggards

laggards
The last consumers to adopt an innovation.

Laggards, about 16 percent of adopters, are the last in a population to adopt a new product. Laggards are typically lower in social class than other adopter categories and are bound by tradition. By the time laggards adopt a product, it may already be superseded by other innovations. By 2006, it would have seemed strange if Wi-Fi or a similar capability was not part of the standard package in even the lowest-priced laptop computer.[37]

When they understand these adopter categories, marketers can develop strategies that will speed the diffusion or widespread use of their products. For example, early in the diffusion process, marketers may put greater emphasis on advertising in special-interest magazines to attract innovators and early adopters. Later they may lower the product's price or come out with lower-priced models with fewer "bells and whistles" to attract the late majority. We will talk more about strategies for new and existing products in the next chapter.

Product Factors That Affect the Rate of Adoption

Not all products are successful, to say the least. As we saw in Table 8.5, all sorts of products litter the marketing graveyard. Other classic boo-boos include Crystal Pepsi (a product that kept the taste but took out the caramel color), Premier smokeless cigarettes, the Betamax video player, the Ford Edsel automobile, and Snif-T-Panties (women's underwear that smelled like bananas, popcorn, whiskey, or pizza).[38] The reason for such product failures is very simple—consumers did not perceive that the products satisfied a need better than competitive products already on the market.

If you could predict which new products will succeed and which will fail, you'd quickly be in high demand as a marketing consultant by companies worldwide. That's because companies make large investments in new products, but failures are all too frequent. Experts suggest that between one-third and one-half of all new products fail. As you might expect, a lot of people try to develop research techniques that enable them to predict whether a new product will be hot or not.

Researchers identify five characteristics of innovations that affect the rate of adoption: relative advantage, compatibility, complexity, trialability, and observability.[39] The degree to which a new product has each of these characteristics affects the speed of diffusion. It may take years for a market to widely adopt a new product. The five factors in Table 8.6 help to explain both why customers might not adopt a new product during its early years and why adoption could speed up later. Let's take a closer look at the humble microwave oven to understand why each of these five factors is important.

Table 8.6 | Adoption-Rate Factors—A Microwave Oven Example

Product Factors Affecting Rate of Adoption	Product Rated High on Factor	Product Rated Low on Factor	Rating of Microwave Oven on the Factors
Relative advantage	Faster	Slower	Low until consumer lifestyles changed
Compatibility	Faster	Slower	Low—required new types of food products and containers, as well as a different mindset about cooking
Complexity	Slower	Faster	Early instructions and controls were confusing and complex
Trialability	Faster	Slower	Low until retailers facilitated product trial
Observability	Faster	Slower	Once people figured the microwave out, those quickly baked potatoes and cool microwave popcorn were hard not to observe (and taste!)

A variety of product factors cause consumers' adoption of the innovation to be faster or slower. Marketers who understand these factors can develop strategies to encourage people to try a new product.

Relative Advantage

Relative advantage is the degree to which a consumer perceives that a new product provides superior benefits. In the case of the microwave oven, consumers in the 1960s did not feel that the product provided important benefits that would improve their lives. But by the late 1970s, that perception had changed because more women had entered the workforce. The 1960s woman had all day to prepare the evening meal, so she didn't need the microwave. In the 1970s, however, when many women left home for work at 8:00 AM and returned home at 6:00 PM, an appliance that would "magically" defrost a frozen chicken and cook it in 30 minutes provided a genuine advantage.

relative advantage
The degree to which a consumer perceives that a new product provides superior benefits.

Compatibility

Compatibility is the extent to which a new product is consistent with existing cultural values, customs, and practices. Did consumers see the microwave oven as being compatible with existing ways of doing things? Hardly. Cooking on paper plates? If you put a paper plate in a conventional oven, you'll likely get a visit from the fire department. By anticipating compatibility issues early in the new-product development stage, marketing strategies can address such problems in planning communications programs, or there may be opportunities to alter product designs to overcome some consumer objections.

compatibility
The extent to which a new product is consistent with existing cultural values, customs, and practices.

Complexity

Complexity is the degree to which consumers find a new product or its use difficult to understand. Many microwave users today haven't a clue about how a microwave oven cooks food. When appliance manufacturers introduced the first microwaves, they explained that this new technology causes molecules to move and rub together, which creates friction that produces heat. Voilà! Cooked pot roast. But that explanation was too complex and confusing for the homemaker of the Ozzie and Harriet days.

complexity
The degree to which consumers find a new product or its use difficult to understand.

Trialability

Trialability is the ease of sampling a new product and its benefits. Marketers took a very important step in the 1970s to speed up adoption of the microwave oven—product trial. Just about every store that sold microwaves invited shoppers to visit the store and sample an entire meal a microwave cooked.

trialability
The ease of sampling a new product and its benefits.

Observability

Observability refers to how visible a new product and its benefits are to others who might adopt it. The ideal innovation is easy to see. For example, for a generation of kids, scooters like the Razor became the hippest way to get around as soon as one preteen saw her friends flying by. That same generation observed its friends trading Pokémon cards and

observability
How visible a new product and its benefits are to others who might adopt it.

Jeffery A.
Periatt
a professor at Auburn University Montgomery
My Advice for Bossa Nova would be to choose
2
Option

real people, **Other Voices**

I would choose **Option 2** because the fears associated with overextending scarce capital resources may be overstated. This belief is based on the following assumptions. First, while it's a new manufacturing process, the current selling structure/process will work because Bossa Nova would be working with the same buyers. Second, the company may still use POM's primary advertising to educate consumers about this product categories' benefits. Finally, while new packaging will have to be designed, the fact that the energy drink's position has not been firmly established in the consumer's mind means there could be brand elements that could transfer to the new product line. Each of these assumptions suggests the strain on resources will be minimal at best. Additionally, adopting this strategy would allow Bossa Nova to finance product and market development with the higher margin energy drink, and if the taste is comparable to POM's, then Bossa Nova's product has a significant relative advantage over current product offerings.

Firms are more likely to accept a new product if they perceive the improvement to be large in relation to the investment they will have to make. The U.S. Army adopted the John Deere Gator to replace some of its more expensive Humvees.

wanted to join in. In the case of the microwave, it wasn't quite so readily observable for its potential adopters—only close friends and acquaintances who visited someone's home would likely see an early adopter using it. But the fruits of the microwave's labors—tasty food dishes—created lots of buzz at office water coolers and social events and its use spread quickly.

How Organizational Differences Affect Adoption

Just as there are differences among consumers in their eagerness to adopt new products, businesses and other organizations are not alike in their willingness to buy and use new industrial products. New or smaller companies may be more nimble and able to jump onto emerging trends. Those that do often are rewarded with higher sales (though, of course, the risks are higher, too). Thus, while Samsung recognized early on that color screens on cell phones were going to be in demand by consumers, some other companies (Nokia, for example) were slower to pick up on a trend that had originated in Samsung's home turf in Asia. While other firms continued to try to market monochrome screens for months longer than they should have, Samsung made strong gains with its more innovative move.

Firms that welcome product innovations are likely to be younger companies in highly technical industries with younger managers and entrepreneurial corporate cultures (think Google). Early adopter firms are likely to be market-share leaders that adopt new innovations and try new ways of doing things to maintain their leadership. Firms that adopt new products only when they recognize they must innovate to keep up are in the early majority. Late majority firms tend to be oriented toward the *status quo* and often have large financial investments in existing production technology. Laggard firms are probably already losing money.

Business-to-business products, like consumer products, also may possess characteristics that will increase their likelihood of adoption. Organizations are likely to adopt an innovation that helps them increase gross margins and profits. It is unlikely that firms would have adopted new products like voice mail unless they provided a way to increase profits by reducing labor costs. Organizational innovations are attractive when they are consistent with a firm's ways of doing business.

Cost is also a factor in the new products firms will adopt. Recall the concept of *value* as we introduced it in Chapter 1. For similar reasons, firms are more likely to accept a new product if they perceive the improvement to be large in relation to the investment they will have to make. This was the case when the U.S. Army adopted the John Deere Gator. At under $10,000, or about an eighth of the price of a Humvee, the Gator is an inexpensive off-road utility vehicle that's just right for rescuing wounded soldiers from foxholes. Although the Gator won't replace the Humvee altogether, the military is able to buy fewer of the expensive Humvees and save taxpayers some big bucks.[40]

Now that you've learned the basics of creating a product, read "Real People, Real Choices: How It Worked Out" to see which strategy Palo Hawken selected for Bossa Nova Beverages.

Palo
Hawken

APPLYING Complexity

Palo and his colleagues realized they were better off with a simple, focused message to make it more likely that consumers would adopt their new Bossa Nova beverage product.

real people, **Real Choices**

Palo
Hawken

Palo chose: **3** **Option**

How it Worked Out at Bossa Nova

Bossa Nova clung to Options 1 and 2 for many months, but in the end Palo and his colleagues took the leap and chose Option 3: The company committed to a path of pure focus to pursue what they believed to be the greatest business opportunity in its portfolio of products and ideas. The result of this decision was the creation of Bossa Nova: Açai juice in three flavors—mango, passion fruit, and original (the pure açai experience). At the Natural Product Expo in 2005 in Anaheim, California, Bossa Nova took its first order from Whole Foods Market, the industry's leading retailer. This order and the general show excitement was enough to close Bossa Nova's first round of VC (venture capital) funding in August of 2005, which set it in motion to achieve 300 percent growth annually for the next three years. Bossa Nova's full line of antioxidant juices is now found in every influential retailer in the country, including Kroger, Safeway, Wegmans, HEB, Publix, and many others. The new product's core customer is educated, health-oriented women between the ages of 28 and 55. In 2008, Bossa Nova is expanding from 5 to 15 SKUs and expects its annual triple digit growth to continue.

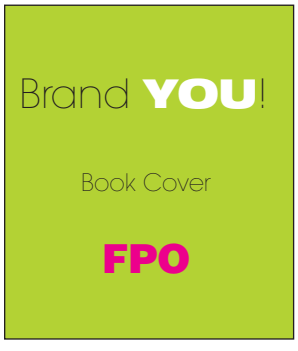
How Bossa Nova Measures Success

Unlike a marketing decision in a larger organization where incremental changes can be quantified and measured, this fundamental decision pitted two philosophies against one another: 1) the conservative position of building on an existing brand, with modest but measurable sales, versus 2) a more aggressive, intuition-based direction that requires re-imagining and re-writing the business fundamentals, with a strong core product, risky financial assumptions, and a yet to be tested product.

When measured against industry standards of carbonated beverage sales, Bossa Nova's açai juice eclipsed the monthly run-rate in its first month and was at 10 times the carbonated run-rate within 8 months. Palo hopes to develop further metrics as this new product category matures.

Part of Bossa Nova's new product line.

Refer back to **page 231** for Palo's story



Brand **YOU**!

Companies don't just hire people—they hire people who produce results.

Be one of those people by identifying your features, benefits, and extras in Chapter 8 of the Brand You supplement.

Objective Summary ➥ Key Terms ➥ Applying

CHAPTER 8
Study Map

1. Objective Summary (pp. 232–233)

Articulate the value proposition.

Products can be physical goods, services, ideas, people, or places. A good is a *tangible* product, something that we can see, touch, smell, hear, taste, or possess In contrast, *intangible* products—services, ideas, people, places—are products that we can't always see, touch, taste, smell, or possess. Marketers think of the product as more than just a thing that comes in a package. They view it as a bundle of attributes that includes the packaging, brand name, benefits, and supporting features in addition to a physical good. The key issue is marketer's role in creating the value proposition in order to develop and market products appropriately.

Key Terms

good, p. 233

2. Objective Summary (pp. 233–235)

Explain the layers of a product.

A product may be anything tangible or intangible that satisfies consumer or business-to-business customer needs. Products include goods, services, ideas, people, and places. The core product is the basic product category benefits and customized benefit(s) the product provides. The actual product is the physical good or delivered service, including the packaging and brand name. The augmented product includes both the actual product and any supplementary services, such as warranty, credit, delivery, installation, and so on.

Key Terms

core product, p. 234 (Figure 8.2, p. 233)

actual product, p. 235 (Figure 8.2, p. 233)

augmented product, p. 235 (Figure 8.2, p. 233)

3. Objective Summary (pp. 236–242)

Describe how marketers classify products.

Marketers generally classify goods and services as either consumer or business-to-business products. They further classify consumer products according to how long they last and by how they are purchased. Durable goods provide benefits for months or years, whereas nondurable goods are used up quickly or are useful for only a short time. Consumers purchase convenience products frequently with little effort. Customers carefully gather information and compare different brands on their attributes and prices before buying shopping products. Specialty products have unique characteristics that are important to the buyer. Customers have little interest in unsought products until a need arises. Business products are for commercial uses by organizations. Marketers classify business products according to how they are used, for example, equipment; maintenance, repair, and operating (MRO) products; raw and processed materials; component parts; and business services.

Key Terms

durable goods, p. 236

nondurable goods, p. 236

convenience product, p. 238

staples, p. 238

impulse product, p. 238

emergency products, p. 239

fast-moving consumer goods (FMCG), p. 239

shopping products, p. 239

intelligent agents, p. 239

specialty product, p. 240 (Ethical Decisions in the Real World, p. 240)

unsought products, p. 240

equipment, 241

maintenance, repair, and operating (MRO) products, p. 241

raw materials, p. 241

processed materials, p. 241

component parts, p. 241

4. Objective Summary (pp. 242–246)

Understand the importance and types of product innovations.

Innovations are anything consumers perceive to be new. Understanding new products is important to companies because of the fast pace of technological advancement, the high cost to companies for developing new products, and the contributions to society that new products can make. Marketers classify innovations by their degree of newness. A continuous innovation is a modification of an existing product, a dynamically continuous innovation provides a greater change in a product, and a discontinuous innovation is a new product that creates major changes in people's lives.

Key Terms

innovation, p. 242 (Metrics Moment, p. 246)

continuous innovation, p. 244

knockoff, p. 245

dynamically continuous innovation, p. 245

convergence, p. 245

discontinuous innovation, p. 246

5. Objective Summary (pp. 247–253)

Describe how firms develop new products.

In new-product development, marketers first generate product ideas from which product concepts are first developed and then screened. Next they develop a marketing strategy and conduct a business analysis to estimate the profitability of the new product. Technical development includes planning how the product will be manufactured and may mean obtaining a patent. Next, the effectiveness of the new product may be assessed in an actual or a simulated test market. Finally, the product is launched, and the entire marketing plan is implemented.

Key Terms

idea generation, p. 247
product concept development and screening, p. 248
green marketing, p. 250
business analysis, p. 251
technical development, p. 251
prototypes, p. 251
test marketing, p. 252
commercialization, p. 253

6. Objective Summary (pp. 253–260)

Explain the process of product adoption and the diffusion of innovations.

Product adoption is the process by which an individual begins to buy and use a new product, whereas the diffusion of innovations is how a new product spreads throughout a population. The stages in the adoption process are awareness, interest, trial, adoption, and confirmation. To better understand the diffusion process, marketers classify consumers—according to their readiness to adopt new products—as innovators, early adopters, early majority, late majority, and laggards.

Five product characteristics that have an important effect on how quickly (or if) a new product will be adopted by consumers are relative advantage, compatibility, product complexity, trialability, and observability. Similar to individual consumers, organizations differ in their readiness to adopt new products based on characteristics of the organization, its management, and characteristics of the innovation.

Key Terms

product adoption, p. 253
diffusion, p. 254
tipping point, p. 254
media blitz, p. 254
impulse purchase, p. 255
innovators, p. 257 (Figure 8.4, p. 257)
early adopters, p. 257 (Figure 8.4, p. 257)
early majority, p. 257 (Figure 8.4, p. 257)
late majority, p. 257 (Figure 8.4, p. 257)
laggards, p. 258 (Figure 8.4, p. 257)
relative advantage, p. 259
compatibility, p. 259
complexity, p. 259
trialability, p. 259
observability, p. 259

Chapter **Questions** and **Activities**

Concepts: Test Your Knowledge

1. What is the difference between the core product, the actual product, and the augmented product?
2. What is the difference between a durable good and a nondurable good? What are the main differences among convenience, shopping, and specialty products?
3. What is an unsought product? How do marketers make such products attractive to consumers?
4. What types of products are bought and sold in business-to-business markets?
5. What is a new product? Why is understanding new products so important to marketers? What are the types of innovations?
6. List and explain the steps marketers undergo to develop new products.
7. What is a test market? What are some pros and cons of test markets?
8. Explain the stages a consumer goes through in the adoption of a new product.
9. List and explain the categories of adopters.
10. What product factors affect the rate of adoption of innovations?
11. Explain how organizations may differ in their willingness to buy and use new industrial products.

Choices and Ethical Issues: You Decide

1. Technology is moving at an ever-increasing speed, and this means that new products enter and leave the market faster than ever. What are some products you think technology might be able to develop in the future that you would like? Do you think these products could add to a company's profits?
2. In this chapter, we talked about the core product, the actual product, and the augmented product. Does this mean that marketers are simply trying to make products that are really the same seem different? When marketers understand these three layers of the product and develop products with this concept in mind, what are the benefits to consumers? What are the hazards of this type of thinking?
3. Discontinuous innovations are totally new products—something seldom seen in the marketplace. What are some examples of discontinuous innovations introduced in the past 50 years? Why are there so few discontinuous innovations? What products have companies recently

introduced that you believe will end up being regarded as discontinuous innovations?

4. Consider the differences in marketing to consumer markets versus business markets. Which aspects of the processes of product adoption and diffusion apply to both markets? Which aspects are unique to one or the other? Provide evidence of your findings.
5. In this chapter, we explained that knockoffs are slightly modified copies of original product designs. Should knockoffs be illegal? Who is hurt by knockoffs? Is the marketing of knockoffs good or bad for consumers in the short run? In the long run?
6. It is not necessarily true that all new products benefit consumers or society. What are some new products that have made our lives better? What are some new products that have actually been harmful to consumers or to society? Should there be a way to monitor or "police" new products that are introduced to the marketplace?

Practice: Apply What You've Learned

1. Assume that you are the director of marketing for the company that has developed a smart phone to outdo the iPhone. How would you go about convincing the late majority to go ahead and adopt it—especially since they still haven't quite caught onto the iPhone yet?
2. Assume that you are employed in the marketing department of a firm that is producing a hybrid automobile. In developing this product, you realize that it is important to provide a core product, an actual product, and an augmented product that meets the needs of customers. Develop an outline of how your firm might provide these three product layers in the hybrid car.
3. Firms go to great lengths to develop new product ideas. Sometimes new ideas come from brainstorming, in which groups of individuals get together and try to think of as many different, novel, creative—and hopefully profitable—ideas for a new product as possible. With a group of other students, participate in brainstorming for new product ideas for one of the following (or some other product of your choice):
   - An exercise machine with some desirable new features
   - A combination shampoo and body wash
   - A new type of university

   Then, with your class, screen one or more of the ideas for possible further product development.
4. As a member of a new product team with your company, you are working to develop an electric car jack that would make changing tires for a car easier. You are considering conducting a test market for this new product. Outline the pros and cons for test marketing this product. What are your recommendations?

Miniproject: Learn by Doing

What product characteristics do consumers think are important in a new product? What types of service components do they demand? Most important, how do marketers know how to develop successful new products? This miniproject is designed to let you make some of these decisions.

1. Create (in your mind) a new product item that might be of interest to college students such as yourself. Develop a written description and possibly a drawing of this new product.
2. Show this new product description to a number of your fellow students who might be users of the product. Ask them to tell you what they think of the product. Some of the questions you might ask them are the following:
   - What is your overall opinion of the new product?
   - What basic benefits would you expect to receive from the product?
   - What about the physical characteristics of the product? What do you like? Dislike? What would you add? Delete? Change?
   - What do you like (or would you like) in the way of product packaging?
   - What sort of services would you expect to receive with the product?
   - Do you think you would try the product? How could marketers influence you to buy the product?

   Develop a report based on what you found. Include your recommendations for changes in the product and your feelings about the potential success of the new product.

Real people, **real surfers**: explore the web

Go to the Bossa Nova açai juice Web site (**www.bossausa.com**). Check out the information about the company's products and what açai juice is. Also go to the "In the Media" section and review some of the TV, Web, and print news items about the company and its products.

1. How would you classify Bossa Nova's products (convenience, shopping, or specialty)? What leads you to this conclusion?
2. In your opinion, is Bossa Nova engaged in product innovation? How do you know?
3. How compelling do you find these two product claims to be:
   a. "Packed with more disease-fighting antioxidants than any other fruit on earth."
   b. "Every bottle you buy saves another rainforest tree."

Marketing Plan Exercise

Go to the Procter & Gamble Web site (**www.pg.com**) and click on "Products" at the top of the page. Next, navigate to the "Oral Care" products section and then click on "Crest." Look over the information about Crest products, then answer

these questions that Procter & Gamble must answer when doing marketing planning for the Crest product line:

1. Crest lists several product innovations, including Whitestrips, Night Effects, and others. How would you "classify" each of these products based on the discussion in the chapter? What leads you to classify each as you do?
2. What type of innovation do you consider each of these products? Why?
3. Pick any one of the products and consider the process that Procter & Gamble probably went through when initially developing it. Give an example of how each of the steps in Table 8.4, "Phases in New-Product Development," might have been used for that product.
4. For the same product you selected in item 3, what stage in the adoption process do you believe that product currently occupies with most consumers? What leads you to this conclusion? Why is knowledge of the adoption process important in marketing planning?

Marketing in Action Case

Real **Choices** at **Kodak**

What do you do if you're made CEO of a company whose bread and butter product, the one that provided the bulk of its sales and profits over the last 115 years, is massively losing market share to the digital film business. How do you respond when you watch your competitors Agfa and Minolta Konica move away from the traditional film business entirely and "go digital"? Well, if you're Antonio Perez, the new CEO of Eastman Kodak, you do exactly the same. Only, you want to carefully maintain your century-old brand identity and pride in your know-how. You convert the bulk of your giant business from silver-halide film to digital photography and related services. And you hope—no, pray—that the unavoidable crash of traditional film product sales will not happen too quickly and force Kodak to go the way of the dodo bird and become extinct.

For over a century, Kodak operated its business by its 1888 advertising slogan, "you press the button, we do the rest." While Kodak did produce cameras, the company made money from its film business, from processing film and from selling film processing supplies, like paper and the chemicals needed to develop pictures. However, Kodak's business model changed in a big way when digital technology arrived on the scene.

Digital cameras not only provide the core product benefits of taking a picture, but they also offer enhanced actual and augmented product features. With a digital camera, consumers can preview a picture immediately after taking it and, if the picture did not turn out satisfactorily, delete it. This benefit results in cost savings for consumers because they don't have to pay for poor-quality pictures. Furthermore, you can save digital photos on a computer, print them on your home printer, share them with friends and family on your FaceBook page, incorporate them into a slide show that you can later watch on a DVD player, and even modify them to cut out the boy- or girlfriend you no longer have. Consequently, the augmented product benefits digital technology provides go far beyond what Kodak used to offer with its traditional film product.

Under Perez's leadership, Kodak has made several successful replacements in its product line. The old Kodak gained much of its revenue from film; the new Kodak is big in the printer ink market. Kodak's old business model reflected its slogan, "you press the button, we do the rest." True to that slogan, today's Kodak focuses on "turnkey" strategies that emphasize e-commerce and other support solutions that meet customer demand. For example, Kodak created the EasyShare Gallery, the world's largest on-line photo-printing and sharing service that boasted 20 million members in 2005 alone. Still the company faces future challenges—it cannot stand still but must look for more strategic opportunities in the future.

For example, a new market for storage and archiving systems of digital photos and films is just opening up. Any digital camera user knows from experience that billions of the pictures taken around the world are actually never printed. No one, it seems, is really sure just how long digital pictures will survive stored on conventional hard-drives or burned onto CDs. This is why many people believe that a big market is likely to develop for storage and archiving systems, both on-line and off-line. If people want their memories to last long into the future, they may have to buy or subscribe to new products and services.

At the beginning of 2008, Kodak's CEO Perez said, "Kodak is now a company with a broad portfolio of digital businesses with diverse sources of revenue, and earnings powered by an unmatched intellectual property position and a sustainable traditional business model. I am confident that we will continue to achieve success in the digital market."

But to do that, Kodak must continue to develop new products—to find other opportunities to increase its share of the digital photo market. Certainly Kodak will have to continue innovating to remain an option for customers in the future and enhance the company's chances of survival.

You Make the Call

1. What is the decision facing Kodak?
2. What factors are important in understanding this decision situation?
3. What are the alternatives?
4. What decision(s) do you recommend?
5. What are some ways to implement your recommendation?

Sources: "Photography: Down With the Shutters, Competition in Digital Photography Takes Another Turn," *The Economist* print edition, March 23, 2006, http://www.economist.com/business/displaystory.cfm?story_id=E1_VGGNRPR (accessed March 5, 2008); "Kodak Poised to Accelerate Profitable Growth," www.businesswire.com, February 7, 2008, http://www.kodak.com/eknec/PageQuerier.jhtml?pq-path=2709&gpcid=0900688a80888a2c&pq-locale=en_US (accessed April 21 [missing year]); Eastman Kodak: Another Kodak moment, A photography giant changes boss to survive in the digital age, *The Economist* print edition, May 12, 2005, http://www.economist.com/business/displaystory.cfm?story_id=E1_PJSQSSN (accessed March 5, 2008).

Note: Special thanks to Domenica Preysing for her work on this case.

Overflow from page 232

- Stages in Consumers' Adoption of a New Product (p. 254)
- The Diffusion of Innovations (p. 256)
- Product Factors That Affect the Rate of Adoption (p. 258)
- How Organizational Differences Affect Adoption (p. 260)